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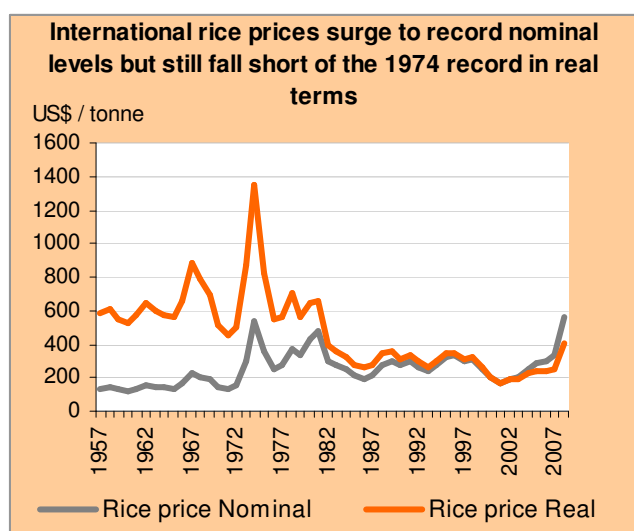
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## Commentary on the current rice market situation

April 2008

Short term supply and demand imbalances, along with a weak US dollar, low world rice reserves, rising production costs and higher prices of competing agricultural and substitute food commodities help explain the recent tendency for international rice prices to move up, but they do not fully justify the extent and the suddenness of the surge.



In recent months, rice export prices staged a remarkable increase, reaching unprecedented high levels in nominal terms, although in real terms, they still fell well short of the levels witnessed in the mid-1970s. For illustration, prices of Thai white rice 100%B almost trebled between April 2007 and April 2008, with much of the gain accruing since November last year. The price surges have not only concerned rice, but also other basic foodstuffs, kerosene, and other essentials, affecting numerous countries and stirring considerable concern among governments. Many importing countries have responded by implementing domestic price stabilization actions, such as

reduction or removal of import tariffs and duties and tightened retail price controls, while a large number of exporting countries have imposed restrictions on exports.

In part, the recent spikes in world rice prices reflect short run market imbalances as several countries (notably Bangladesh, Indonesia, Nigeria, the Philippines and Iraq) came to the international market between December 2007 and April 2008 to contract large purchases of rice at a time when exporters had limited rice to offer. Imports were needed either to compensate for a production shortfall (Bangladesh), to replenish stocks (Indonesia, the Philippines) or just to meet rising domestic consumption (Iraq, African countries). As export prices started soaring, domestic prices were also propelled upwards, prompting several exporting countries to impose export taxes, minimum export prices, export ceilings or outright export bans, in an attempt to avert food scarcities occurring on their own territory. These moves further restricted the availability of supplies on the international market place, triggering yet more price rises and tighter conditions. At the moment, only Thailand, Pakistan and the United States, among the leading exporters, are letting rice to be exported unconstrained.

It is important to recall that there has been no marked production shortfall in 2007 other than in Australia, Brazil, the DPR Korea, the Korea Rep, Myanmar and Sri Lanka and, overall, world production recorded a positive, albeit weak, growth in 2007. Much sharper contractions were witnessed in the past, for instance in 2002, when output in India dropped by 23 percent, a major factor behind the 5 percent decline in the world aggregate. Despite the scale of the contraction, it had little effect on world prices, mainly because of the large stock availabilities existing at the time. The lack of a severe drop of supplies in major producing countries or of a sudden and unexpected increase in demand for rice brings to the fore other possible causes that warrant consideration: firstly, the size of the 2007 rice crops may have been overstated, which would mean that less rice than thought is available on the market, resulting in rising prices. If so, this would call for a

strengthening of monitoring of production in the various producing countries. Another possibility, as mentioned in a number of cases, is that supplies have been withheld from the market by producers, millers, and traders on expectation of further price rises, thereby creating artificial tightness in the market. A number of governments have already announced action to thwart these practices. However, for prices to return to more normal levels, favourable, or at least average, weather conditions must prevail in the coming months and governments must relax the restrictions they have imposed on exports. Whatever relief is brought by additional production, prices are unlikely to return to the 2007 average level in the short run, as production costs have also surged. Moreover, larger production will be required not only to cover consumption needs but also to reconstitute the depleted rice reserves in a number of countries. In this connection, it is interesting to note the important role that Thailand has played in stabilizing the market since 2004, through the administration and release of government stocks, a role it may not be able to perform to the same extent in 2008, given the diminished size of public rice reserves.

The sudden surge in world prices since November 2007 has brought to the fore a number of medium term issues that have remained largely unattended in the past two decades. They concern long lasting tendencies, such as low investment in agriculture, especially irrigation, shifts in populations away from rural areas, erosion of the rice ecological base, reduction in agricultural research funding and stagnating productivity.

But the recent crisis also raises a number of pressing policy-related issues. At the country level, many governments find themselves in the difficult situation of having to keep consumer prices at affordable levels without eroding the incentives for producers to expand rice cultivation. The pursuance of these two conflicting goals requires large transfers of resources by the States to consumers and/or producers, a situation that can only be maintained for limited periods. The recent crisis has also evidenced an asymmetry between food exporters and importers, a legacy of the 1994 WTO Agreement on Agriculture, which had been negotiated in the context of decade-long fall in real agricultural prices and which was therefore geared towards rectifying policies that had the effect of weakening world prices, such as import tariffs or export subsidies. In the vastly different environment prevailing today, the rules on export limitations in article 12 of WTO Agreement on Agriculture appear too weak to discourage the use of export restrictions, which have caused disruptions to international rice trade since September 2007. Last but not least, debates regarding the role of global rice reserves to meet unexpected shocks and to stabilize prices have returned to the forefront. Since the mid-1980s, governments have moved in the opposite direction, attempting to reduce the size of grain inventories. The recent events may prompt them to revisit that strategy over the medium term.

## ROUND-UP

- The estimate of **world paddy production in 2007** has been revised upward by 7 million tonnes from the December 2007 forecast, reflecting better than expected crops in all regions. At the newly forecast level of 652 million tonnes (435 million tonnes in milled rice equivalent), global production would be 1.4 percent larger than in 2006, with the entire increase arising in Asia, since all the other regions incurred a contraction.
- FAO's preliminary forecast of **world paddy production in 2008** points to a 2.3 percent growth to 666 million tonnes and a new record. The increase could turn being even more pronounced if recent appeals and incentives to grow rice translate into a larger expansion of plantings than currently anticipated. All of the expansion is set to stem from gains in the developing countries, foremost in Asia but also in Africa and in Latin America and the Caribbean, while developed countries are foreseen to experience a decline for the fourth consecutive year.
- For the first time, paddy production in *Asia* may surpass the 600 million tonne benchmark in 2008. The current forecast, at 605 million tonnes, would represent a 2.1 percent and 13 million tonne increase from 2007. Major gains are expected all across the region, as producers respond to attractive prices and to government incentives promoting rice cultivation. Bangladesh, China, Myanmar, the Philippines, Thailand and Viet Nam are now expected to register the largest gains, in absolute terms. Among southern hemisphere countries, where the season is well advanced, prospects are buoyant for Indonesia and Sri Lanka despite some recent flood-incurred losses.
- Assuming a normal rainfall pattern in the coming months, production in *Africa* is forecast to grow by 3.6 percent to 23.2 million tonnes in 2008, with large gains anticipated in Cote d'Ivoire, Egypt, Ghana, Guinea, Mali and Nigeria. However, production is anticipated to change little in Madagascar and to decline in Mozambique, reflecting recent flooding episodes in the two countries.
- Paddy production in *Latin America and the Caribbean (LAC)* is forecast to rebound by 7.4 percent to 26.2 million tonnes in 2008. Although some gains are expected in Central America and the Caribbean States, the bulk of the increase is expected to come from larger crops in South America, in particular from Argentina, Bolivia, Brazil, Colombia, Uruguay and Venezuela, where many of the 2008 paddy crops are already at the harvesting stage.
- For countries belonging to *other regions*, production prospects are negative for Australia, which could only sow a fraction of the normal rice area, but also for the United States and the European Union, where competition from other crops may depress rice output this season.
- Since December 2007, the forecast of **world rice trade in 2008** has been lowered by 1.5 million tonnes to 28.8 million tonnes, largely reflecting more difficult access to international supplies after a growing number of countries imposed restrictions on exports. At the same time, following the submission of new official export or import data, the estimate of trade in 2007 has been raised by 1.1 million tonnes to an all time record of 31.0 million tonnes. As a result, trade in rice in 2008 is forecast to decline by 7 percent or 2.2 million tonnes from the 2007 record level.
- *Asian countries* are expected to be responsible for much of the contraction in **world imports** in 2008, as deliveries to the region are now anticipated at 12.9 million tonnes, down from 14.5 million tonnes in 2007. In particular, shipments to Bangladesh, Indonesia, the Islamic Republic of Iran and Saudi Arabia are expected to be lower, which would more than offset increased imports to Iraq, DPR Korea and the Philippines. Current import forecasts for *African countries* point to a 6.2 percent drop to 9.2 million tonnes in 2008, as high international prices are expected to depress rice purchases, in particular by Guinea, Nigeria, Senegal and South Africa. Imports by countries in *LAC* are anticipated to remain in the order of 3.5 million tonnes, as larger deliveries to Brazil, Colombia and Ecuador compensate for declines in Mexico, Nicaragua and Peru. In the *rest of the world*, Australia, the United States and the European Union are all foreseen to import more in 2008.
- Much of the contraction in **world rice exports** in 2008 is likely to stem from much reduced deliveries by India, but also Cambodia, Egypt and Viet Nam, the most important exporters currently restraining international sales. Only part of these countries' shortfalls is seen to be compensated by increased shipments from mainland China, Myanmar, Pakistan, Thailand and the United States.

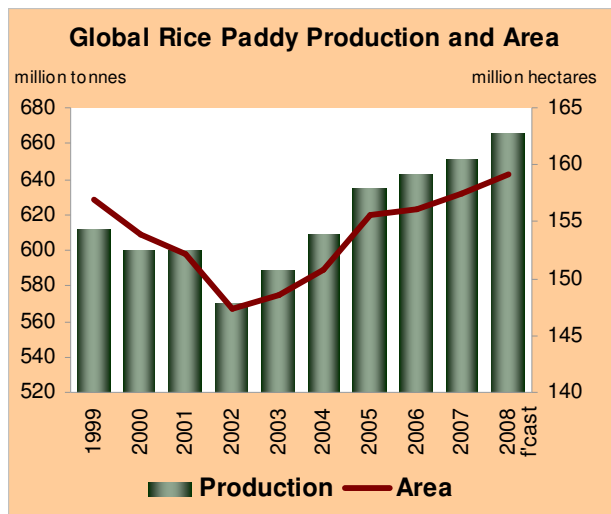
- Overall **rice utilization** in 2008 is forecast to grow by 2 percent to 437 million tonnes, in milled rice equivalent, of which 379 million tonnes are foreseen to be consumed as food, 1.8 percent more than in 2007. As a result, rice per caput food consumption is set to increase slightly to 57.2 kilo per year, possibly reflecting a shift of consumers away from more expensive foods, such as livestock products.
- Following the upgrading of 2007 production, the forecast of **global rice stocks** carried over at the close of the marketing seasons in 2008 have also been raised to 105.2 million tonnes, which would be slightly below the previous year's revised stock level. Developed countries, which are foreseen to cut reserves sharply, would be responsible for the slight global decline, as developing are anticipated to rebuild their inventories somewhat. Stocks held by major exporting countries as a group are set to expand, mainly a reflection of the export restraints applied this year by India, while they may fall in importing countries, overall. Based on current forecasts, the rice stock-to-use ratio would fall slightly to 23.7 percent.
- **International rice prices** have been soaring since November 2007, underpinned by the repeated launching of tenders by the Philippines for the import of several hundred thousand of tonnes each time and exacerbated by the imposition of export restraints by a growing number of countries. The arrival of new supplies, from 2007 secondary crops in the Northern Hemisphere and from 2008 main crops in the Southern Hemisphere may ease the market situation in the next few months. The recent withdrawal of a purchasing auction by the Philippines already relieved pressure from prices. Although these developments might signal a reversal in tendency, international rice prices are expected to remain at relatively high levels, especially as stocks held by those exporters still allowing unrestrained sales, Thailand and the United States in particular, are expected to be drawn down heavily. Meanwhile, other large importers are expected to return on the international arena to buy, including the Islamic Republic of Iran, Iraq, Saudi Arabia, Nigeria and Senegal. Thus, while prices might fall below the April levels in the next few months, they are expected to remain extremely firm, at least until the third quarter of the year, when the bulk of 2008 production will be gathered, unless restrictions on exports are eased in the coming months. Even then, prices are not expected to return to 2007 levels, as producers have to pay much more for their fertilizers, pesticides and fuel.

## RICE SITUATION UPDATE AS OF 25 April 2008 <sup>1</sup>

### I. PRODUCTION

#### I.1. REVIEW OF PRODUCTION IN 2007

#### More optimistic results point to a 1.4 percent growth in of global paddy production in 2007

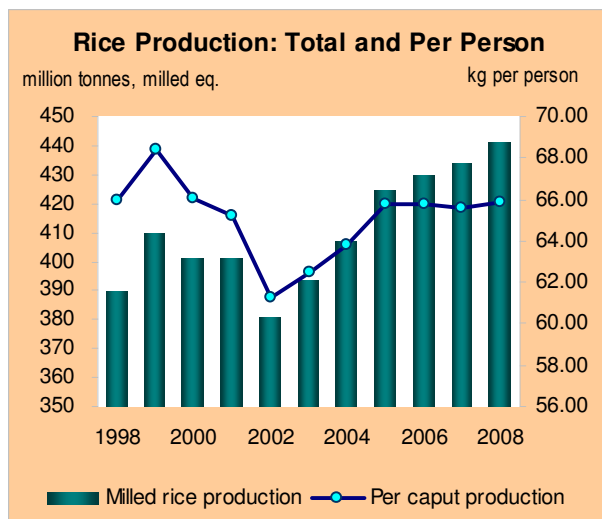


The estimate of world paddy production in 2007 has been raised by about 7.1 million tonnes compared with the December 2007 forecast, to 652 million tonnes (436 million tonnes in milled rice equivalent), reflecting more buoyant prospects in all regions, either because losses incurred since September last year turned out to be smaller than originally thought or because of more favourable expectations regarding the still-to-be harvested 2007 secondary paddy crops.

The main upward revisions concerned Bangladesh (+2.4 million tonnes), Cambodia (+432 000 tonnes), India (+3.5 million tonnes), Nepal (+299 000 tonnes), the Philippines (+766 000 tonnes), Thailand (+1.1 million tonnes), Turkey (+148 000 tonnes), Sierra Leone (+590 000 tonnes), Tanzania (171 000 tonnes), the Dominican Republic (+97 000 tonnes), Peru (+55 000 tonnes), Venezuela (+160 000 tonnes) and the European Union (+93 000 tonnes). On the contrary, the outlook deteriorated for the Islamic Republic of Iran (-700 000 tonnes), Japan (-77 000 tonnes), the Democratic Popular Republic of Korea (-481 000 tonnes), Myanmar (-1.5 million tonnes) and Guyana (-35 000 tonnes).

Based on the latest forecast of 652 million tonnes, global paddy production would be 9 million tonnes, or 1.4 percent above the 2006 level. The expansion of production would be on account of a 1.0 percent increase in the area harvested, to 157.5 million hectares, and of a modest gain in average yields, from 4.12 to 4.14 tonnes per hectare. On a milled rice basis, world production in 2007 is set to reach 435 million tonnes, up from 429 million tonnes in 2006. The resulting increase barely matched population growth, resulting in a stagnating rice output per person of 65.7 kilo (milled rice equivalent) in both 2006 and 2007.

<sup>1</sup> The section on prices has been updated as of 7 May 2008. The recent disaster in Myanmar could not be taken into account in the current market analysis.



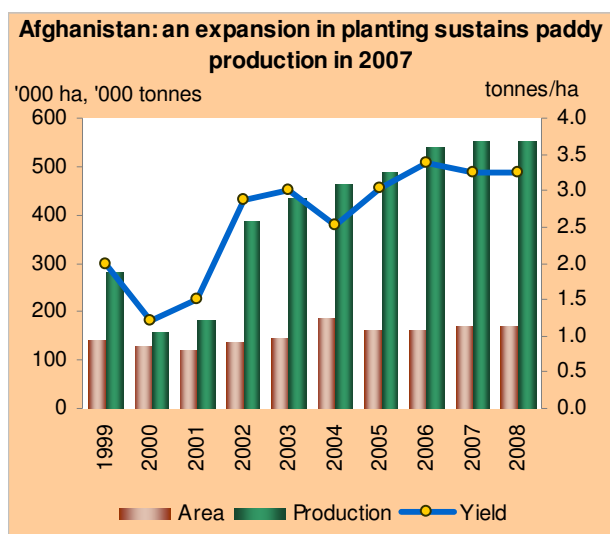
abate soon in many rice producing countries.

This improved 2007 production outlook stands out against the apparent tightness of rice markets, expressed in soaring domestic prices in virtually all regions. In part, this might be due to the fact that much of the increase in production stems from larger secondary crops, which are just being marketed and, possibly, to the withholding of rice from the 2007 main crops by producers, millers and traders on expectations of further gains in prices. If this is the case and provided no major setback beset production prospects for the on-going 2008 paddy season, the pressure for domestic prices to rise may start to

## A. Asia

### Production rises in 2007, sustained by bumper secondary crops

Asian countries are now estimated to harvest about 592 million tonnes in 2007, up from 582 million tonnes in the previous season. Most of the leading rice producing countries in the region harvested more, including Bangladesh, China, India, Indonesia, Nepal, the Philippines and Thailand, while production fell in the Democratic Popular Republic of Korea, the Republic of Korea, Myanmar, Sri Lanka and Turkey. Production in Viet Nam stagnated around 36 million tonnes for the fourth consecutive season, as adverse weather and insect attacks damaged crops. In much of the region, the positive 2007 season production results stemmed from record secondary crops, as high market prices since November last year have boosted planting.



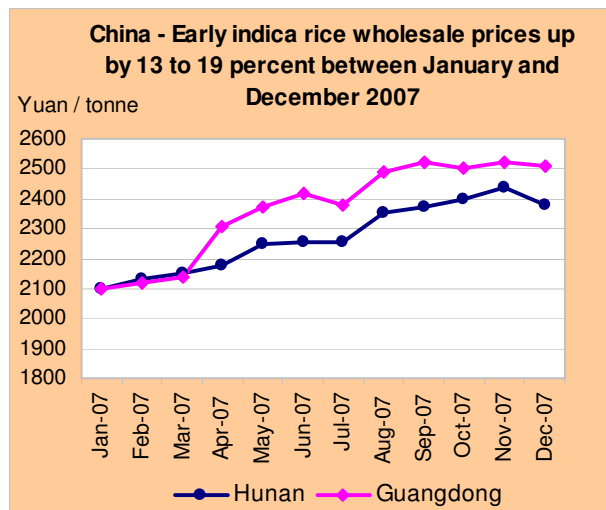
According to a mission conducted in September last year just before the rice harvest in October, **Afghanistan**, was aiming towards a bumper rice crop of 570 000 tonnes, up from a previous forecast of 552 000 tonnes and up 3 percent compared with 2006, reflecting an expansion in plantings. The sector has staged an important recovery since 2000, mainly sustained by a 70 percent recovery of yields.

**Bangladesh's** 2007 paddy production forecast has been raised by 2.4 million tonnes since the last report, to 41.4 million tonnes, reflecting expectations of a record Boro crop, the last and largest of the three crops

harvested every season. At that level, the 2007 season would end with a small production increase over the 41.0 million tonnes harvested in 2006. Over 2007, the country has been battered by a series of setbacks, including several floods between July and September and a cyclone in November, which, were reported to have caused paddy losses of about 2 million tonnes from the Aus and Aman crops. Faced with acute supply shortages, the Government launched a contingency plan to boost production of the third Boro, irrigated, rice crop by 13 percent to 17.5 million tonnes, in milled rice equivalent (26.3 million tonnes of paddy). Measures considered include facilitation of credit and the provision of certified seeds, fertilizers and extension. The Government also announced it would procure paddy at a price of Taka 18 per kilo (US\$ 260 per tonne) and rice at a price of Taka 28 per kilo (US\$ 410 per tonne). FAO's overall paddy output estimate, however, assumes a lower than targeted Boro crop of 16.5 million tonnes (24.8 million tonnes in paddy equivalent).

Although marginal among rice producers, from an international viewpoint, **Brunei** is attempting to revitalize rice production, which is reported at 1 084 tonnes (milled equiv.) in 2007. Incentives to cultivate rice are provided through the provision of irrigation and drainage facilities, ploughing services, subsidized fertilizers, free insecticides and fungicides and extension. Development of the sector appears to have been impaired by the aging of the farming population and a lack of interest from the new generations to engage in agriculture activities.

Following the release of new forecast in January, **Cambodia's** production in 2007 has been upgraded to 6.4 million tonnes, up from a previous figure of 6.0 million tonnes and 2.6 percent above the previous year. According to the Government, the country harvested 5.17 million tonnes over the wet season and 1.26 million tonnes over the dry season, compared with 4.97 million tonnes and 1.29 million tonnes, respectively, in 2006. The increase has been attributed to favourable weather conditions, but also to improved supplies of seeds and irrigation.



Pending the release of official figures by the National Bureau of Statistics, FAO maintains its previous paddy production estimate in **China** of 184 million tonnes, implying a small increase of only 0.8 percent from the preceding season. The 2007 paddy season has been hindered first by a drought that affected 22 out of the 31 provinces until June, followed by seasonal floods extending over half of the country. Those setbacks particularly damaged the early rice and late rice crops, which ended either smaller than, or unchanged, from last year, while the single, intermediate, rice crop performed relatively well. Prices of rice have been

relatively stable since January 2007, rising moderately in the case of Indica early rice, but hardly changing in the case of Japonica rice.

Production in the **Chinese Province of Taiwan** also suffered in 2007 from a series of Typhoons which are estimated to have depressed output by 3.7 percent to 1.5 million tonnes. The shortfall,



together with rising import prices have also triggered rises in retail prices since January 2008, to which the government reacted by releasing supplies from its reserves.

On 22 April 2008, **India** published its third advanced estimate of the main 2007 Kharif crop and the second forecast of the Rabi crop. According to the figures, which are released in milled rice equivalent, 95.68 million tonnes of milled rice have been produced in 2007, corresponding to a volume of 143.513 million tonnes of paddy. The 95.68 million tonne figure includes a main Kharif crop of 82.78 million tonnes, which is 3.3 percent larger than the final estimate of the same crop in 2006, and a rather conservative forecast of the Rabi crop of 12.9 million tonnes, which would be 2.1 percent smaller than the 2006 final Rabi crop estimate. As a result, rice produced in 2007 would be 2.5 percent above the level gathered in 2006. The final production figure for the 2007 rice season, still to be released, could even turn to be larger as current information regarding the area planted with the Rabi paddy crop, for harvest between April and May, exceeds that of the last year, a positive response to the 20 percent increase in the paddy minimum support price from Rupee 6 200 per tonne in 2006/07 to 7 450 per tonne in 2007/08 for Common paddy and a similar increase for Grade A varieties, from Rupee 6 500 to Rupees 7 750 per tonne. Despite a late arrival of rainfall at planting time, 2007 was a bumper paddy season in **Indonesia**, which harvested more than 57 million tonnes of paddy (35.9 million tonnes of milled rice), 4.8 percent more than in the preceding season. The sector benefits from a production expansion programme, focused on the dissemination of hybrid rice.

Paddy production in **Iraq** has been hovering around 300 000 tonnes since 2005 and is estimated to have reached some 328 000 tonnes in 2007. According to the Agriculture Jihad Ministry of the **Islamic Republic of Iran**, rice output grew strongly in 2007, with the increase estimated in the order of 7 percent. The sector benefited from a series of incentives, including relatively high minimum producer prices and subsidized distribution of seeds and other inputs. Growing conditions last year were also positive, which boosted yields, and output. However, the official data show a 2006 production level of 2.612 million tonnes, substantially smaller than the previous estimate. Based on that information, FAO's production forecast for 2007 has been revised downward from 3.5 million tonnes to a 2.8 million tonnes.

<b>Islamic Republic of Iran: Rice Guaranteed Purchase Prices</b>				
<b>Varieties</b>	<b>2005/06</b>		<b>2006/07</b>	
	Rials per kilo		US\$ per tonne	
Khazar, Fajr and Sahel	6000	6800	678	768
Sepidrood	5200	5600	587	632
Nemat and Neda	5000	5800	565	655
Amol, Cheram and Yasooj	4200	4900	474	553
Source: Central Bank of the Islamic Republic of Iran – 2006/07				

Despite losses caused by typhoons, **Japan** harvested 10.893 million tonnes of paddy in 2007 (equivalent to 8.714 million tonnes of husked rice), slightly more than earlier envisaged and 1.8 percent above 2007. The gain contradicts on-going efforts by the government to bring down rice output in line with falling domestic consumption. As a result of the market surplus, Japan was one of the few countries experiencing a situation of falling prices in 2007, a trend that prompted the Government to implement a stock set aside programme in the last quarter of 2007, which helped prices recover. The Ministry of Agriculture of the **Democratic Popular Republic of Korea** (DPR Korea) recently published the crop estimates for 2005, 2006 and

2007. The figures confirm the negative effects of flooding in September, when crops were at the harvest stage, which depressed yields from 4.42 tonnes per ha to 3.20 tonnes per ha, resulting in a production of 1.869 million tonnes, one quarter less than gathered in 2006. The crop shortfall combined with reduced food aid supplies is likely to result in a very tight rice market situation, at least until September – October when the 2008 paddy crops will be harvested. Excessive precipitation also damaged the 2007 crop in the **Republic of Korea**, but the impact was less severe than in the neighbouring DPR Korea, as production fell by only 6 percent to 5.949 million tonnes. According to a 2007 survey results, there were 610 000 households growing rice, representing 49.6 percent of the total engaged in farming. This compares with 639 000 households, and 51.3 percent in 2006. The country also released production cost estimates, pointing to some increases arising from higher costs for fertilizers, farm equipment and agricultural chemicals. The rise in average costs per tonne in 2007 also reflected a 5.5 percent drop in yields.

<b>Republic of Korea: Rice Production Costs (milled basis)</b>			
	<b>2005</b>	<b>2006</b>	<b>2007</b>
Won / 80 kg	93,410	94,689	101,491
US\$ / tonne	1,197	1,213	1,301
Source: National Statistics Office			

Despite efforts to reduce the dependence on rice imports, under the 2006-2010 Development Plan, and a 12.5 percent increase in minimum producer prices since 2006/07, **Malaysia** has failed to register noticeable increases in production in the past few years. The official estimate for 2007 stands at 2.277 million tonnes, 5.7 percent above the poor 2006 season, although floods cut the secondary paddy crop, harvested between June and September, by 7 percent. The rise was insufficient to ensure a full recovery and production has remained in the order of 2.2-2.3 million tonnes since 2002.

Harvest of the 2007 secondary paddy crop is underway in **Myanmar**. According to the Government, paddy output in 2007 is 30.02 million tonnes, a slight decline from the preceding season. Late last year, strong increases in rice domestic prices, reflecting localized shortages, attributed to heavy rains in October, which caused some limited losses, but also to the prevailing restrictions on internal rice movements, which require special permits and are controlled through checkpoints at provincial borders. Paddy production in **Nepal** recovered in 2007, gaining 17 percent from the 2006 drought-reduced level. Notwithstanding the recovery, prices have risen, largely because of lower imports resulting from the imposition of export constraints in India, the traditional source of Nepalese rice imports.

Based on the latest official forecast, **Pakistan** harvested 8.22 million tonnes of paddy in 2007, almost 1 percent more than in 2006, despite heavy rains at seeding time last year, flood damage in the Sindh region and some mealy bug infestations. This is equivalent to 5.49 million tonnes of milled rice, about 2.5 million tonnes of which corresponded to Basmati rice. At 3.27 tonnes of paddy per ha, yields were 4 percent greater than in the previous season, attributable mainly to the dissemination of hybrid rice varieties. Although the **Philippines** is now harvesting its 2007 secondary paddy crop, production over the full season (July 2007- June 2008) is anticipated to approach 16.7 million tonnes, a gain of 7.7 percent compared with 2006. The increase reflects favourable growing conditions, lower incidence of typhoons, and growing use

of hybrid and quality seeds. The rise in prices also led the government to allow the NFA to buy paddy from farmers at pesos 17 per kilo, up from a previous price of pesos 12 per kilo. At the same time, the Agency launched subsidized rice sales to the poor at Pesos 18.5 (US\$ 0.44) per kilo.

**Philippines: Paddy and Rice Prices**

	2005	2006	2007	2008 <i>Jan-Mar</i>
		Pesos per kilo		
Farmgate - Paddy	10.83	10.90	11.52	12.28
Wholesale - Rice (well milled)	20.94	21.39	22.58	24.41
Retail - Rice (well milled)	22.88	23.56	24.72	26.48

Source: Philippines: Bureau of Agriculture Statistics

The 2007 season in **Sri Lanka** was concluded several months ago with a 6 percent decline to 3.1 million tonnes, largely due to a reduced Maha crop. By contrast, **Thailand** just completed its 2007 paddy season with the gathering of the secondary crop in March 2008. Overall, production is estimated to reach 31.0 million tonnes for the full 2007 crop year, above the past record of 30.3 million tonnes achieved in 2005, and almost 5 percent more than in 2006, when the crops were damaged by floods and cool temperatures. The increase was achieved over the main paddy crop, which, at 23.4 million tonnes, was 2.6 percent larger than in 2006, and even more so over the secondary crop, the size of which is now anticipated to be in the order of 7.6 million tonnes. In some regions, farmers are growing a third rice crop, in the hope of benefiting from the high prevailing prices, which is very unusual, a move that would bolster production by 1.6 million tonnes. In spite of the increase of production in 2007, domestic prices have soared in recent months, as importers turned massively towards Thailand after several of the other major rice exporters virtually closed their borders to foreign buyers. The high market prices have limited purchases of rice from the 2007/08 main crop by the Thai government to 147 235 tonnes, considerably less than the 2 million tonnes procured in 2006/07.

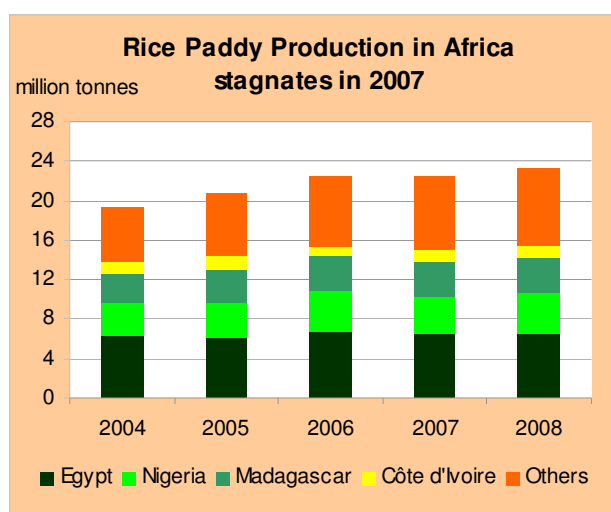
In 2007, **Turkey** is estimated to have recorded a drop in paddy production, amidst drought problems, which constrained the availability of irrigation water, and high temperatures. However, the impact was less than anticipated and production fell by 7 percent only to 648 000 tonnes, instead of the 500 000 tonnes previously forecast.

According to the Government, **Viet Nam** harvested 35.868 million tonnes in 2007, little changed from 2006 and the fourth consecutive year of virtually no growth. The stagnation of output since 2004 partly reflects a contraction of plantings, adverse weather and pest outbreaks, in particular brown plant hopper infestations in the Mekong Delta. As in the rest of the world, prices rose strongly in 2007, with paddy prices reported at Dong 3 500 per kilo (US\$220 per tonne), 28 percent above their December 2006 level. Consumer prices have also been on the rise, prompting the Government to maintain its restrictions on exports.

## B. Africa

### Virtually no growth in paddy production in Africa in 2007

Based on current estimates, many of which are not yet official, production in Africa stagnated around 22.4 million tonnes in 2007, virtually the same level as in the previous year. The lack of growth was mainly a reflection of poor weather conditions across the region. In western Africa, the outcome of the secondary paddy crops (riz de contre-saison), which are normally grown under irrigation and which are now approaching the harvest stage, also appears to be falling short of expectations.



In *Northern Africa*, the 2007 production estimate in **Egypt** remains at 6.53 million tonnes, which would imply a 3 percent contraction in output, largely a reflection of falling yields.

In *Western Africa*, the latest production estimates point to a retrenchment of the sector in the sub-region, now set to produce 9.7 million tonnes paddy in 2007, 1.9 percent less than in 2006. The rainfall pattern in most areas was irregular and a lack of basic inputs, in particular seeds and fertilizers, was reported to have crippled the sector. As a result, current estimates

point to an output contraction in **Cote d'Ivoire, Mali, Niger** and, especially, in **Nigeria** where un-remunerative prices were also reported to have fostered a shift away from rice cultivation. The country also incurred losses due to pest infestation in the Abakaliki area. By contrast, rice production is set to have risen in **Benin, Burkina Faso, Chad, Guinea, Senegal** and **Sierra Leone**. The latest official figures in **Sierra Leone**, in particular, revise sharply upwards output estimates in the country, which now appears to have produced 1.1 million tonnes in 2007, twice the level gathered in 2004. In **Senegal**, the increase was substantial, in the order of 38 percent, reflecting the provision of fertilizers at subsidized prices and free distribution of some pumps. Incentives to plant more rice under irrigation over the dry season were also intensified, within the framework of a development programme to achieve rice self-sufficiency by 2015.

In *Eastern Africa*, production in 2007 is estimated to have surged by 17 percent to 1.4 million tonnes in **Tanzania**, but output also increased markedly in **Uganda** and **Sudan**. By contrast, **Kenya** and **Rwanda** faced a contraction in 2007. Part of the decline in **Kenya** was caused by a fungus, which infested rice plants. In order to facilitate the recovery, the government instructed the National Cereals and Produce Board to sell fertilizers at half their market price.

In *Southern Africa*, **Madagascar** stepped up output by 3 percent in 2007 to 3.6 million tonnes, notwithstanding the various cyclones that hit the country around this period last year. The outcome of the season was also positive for **Mozambique**, which harvested 196 000 tonnes, a 7 percent increase compared with 2006.

## C. Latin America and the Caribbean

### Paddy production in 2007 falls in Central America and the Caribbean and in South America

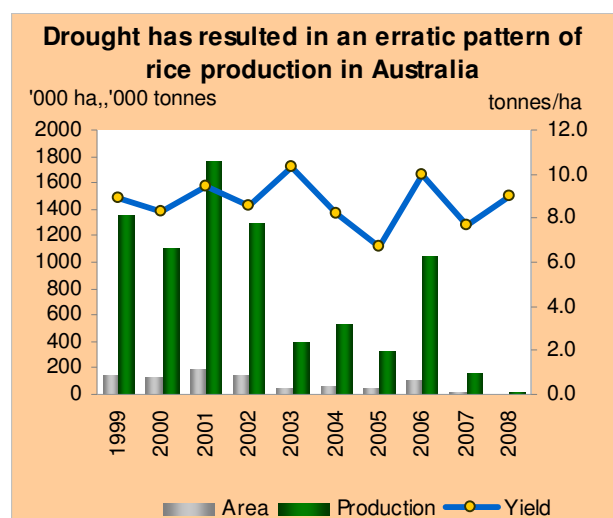
According to latest forecasts, 2.4 million tonnes of paddy rice were harvested in Central America and the Caribbean over the 2007 season, 2.5 percent less than in 2006. Under the influence of La Niña weather anomaly, various countries were negatively affected by torrential rains, in particular **Cuba, Guatemala, Haiti, Honduras, Mexico and Nicaragua**, all of which are estimated to have gathered less rice than in the 2006 season. Particularly large losses were recorded in **Nicaragua**, which is now estimated to have incurred a 20 percent contraction to 250 000 tonnes in 2007, most of which over the first main crop (“Epoca de Primera”), which was battered by hurricane Felix. **Haiti’s** paddy output has hovered around 90 000 – 100 000 tonnes in the past ten years. In 2007, it is estimated by FAO to have fallen by 6 percent to 92 000 tonnes. Recent official estimates in **the Dominican Republic** reverse earlier expectation of a decline of production in 2007. This is now set to have risen for the third consecutive year to 747 000 tonnes, 5 percent more than in 2006. This positive performance has been attributed to the operation of commodity warehouse receipts by the Government, which has diminished the exposure of producers to low prices at harvest time, encouraging them to plant more. The gain in **Costa Rica** was even larger, in the order of 12 percent, which lifted output to 235 000 tonnes. Production in **Panama** is estimated to have remained in the order of 290 000 tonnes in 2007.

With the exception of **Colombia, Peru, and Venezuela**, all rice producing countries in South America experienced a contraction of production in 2007, largely a reflection of rising costs and, in **Argentina, Brazil, Paraguay and Uruguay**, of a late arrival of the rainfall at the onset of the season. About 21.9 million tonnes are estimated to have been produced in the sub-region in 2007, down from 22.4 million tonnes in 2006. Much of the drop was on account of **Brazil**, which harvested 11.3 million tonnes, 3.5 percent less than in the preceding year. In **Argentina**, production fell by about 10 percent in 2007 to 1.075 million tonnes. A similar decline was estimated in **Paraguay**, which harvested 100 000 tonnes. Despite an 18 percent drought-induced contraction in plantings, excellent yields allowed **Uruguay** to contain the fall in output to 11 percent to 1.146 million tonnes.

Countries situated in the northern or western coasts of South America were also affected by excessive rainfall in the latest months of 2007, associated to La Niña climatic phenomenon, which damaged the secondary paddy crops. Among the most affected countries, **Bolivia** faced a 27 percent contraction of output to 310 000 tonnes, also imputable to low prices which depressed planting. The contraction was more moderated in **Guyana**, of only 2 percent. By contrast, the latest official estimates for **Peru** show a 3 percent increase in production in 2007 to 2.455 million tonnes, sustained by a 5.4 increase of yields to a record 7.27 tonnes per ha, which compensated for a small drop of planting. Likewise both **Colombia** and **Venezuela** recorded sizeable gains, of 6 percent and 27 percent respectively, reflecting excellent yields and, in the case of Venezuela, also an expansion of plantings. The sector in the two countries continues to benefit from strong government support.

## E. Rest of the world

### Production in 2007 falls heavily in Australia but rises in the United States and in Europe



In *Oceania*, **Australia** reduced the area under rice to 21 000 ha over the 2007 season (2006/07 for Australia), an 80 percent drop from the previous year, reflecting insufficient water availability in October 2006, when the 2007 crop was due to be sown. Because of the area contraction, production fell to 161 000 tonnes.

In *North America*, the USDA report, of 9 April 2008, confirmed the 2007 estimate of production in the **United States** of 8.957 million tonnes, which represents a 1.9 percent growth from 2006. This positive

outcome was in spite of a 2.6 percent contraction in the area, as excellent growing conditions boosted yields to a record high of 8.054 tonnes per ha. The increase in output corresponded to the short to medium grain rice varieties, while long grain rice declined. Paddy cash prices have continued to strengthen in recent months, reaching in March 2008 their highest level since 1980/81.

In *Europe*, the latest estimate of paddy production in the **European Union** (EU) has been revised upwards to 2.739 million tonnes in 2007, including output in Bulgaria and Romania. Despite drought problems in France and Spain, production in the EU-25 in 2007 is estimated to have reached 2.683 million tonnes, up from 2.625 million tonnes in 2006. Much of the increase was on account of larger crops in Greece, Italy and Portugal, which compensated for a decline in France and Spain. The estimate for 2007 rises to 2.739, when outputs in Bulgaria and Rumania are included. High protection from imports provided some incentives for an expansion of the sector in the **Russian Federation**, which officially produced 709 000 tonnes over 2007, 3.3 percent more than in 2006. Likewise, excellent yields boosted output in **Ukraine** by 5.5 percent to 96 000 tonnes.

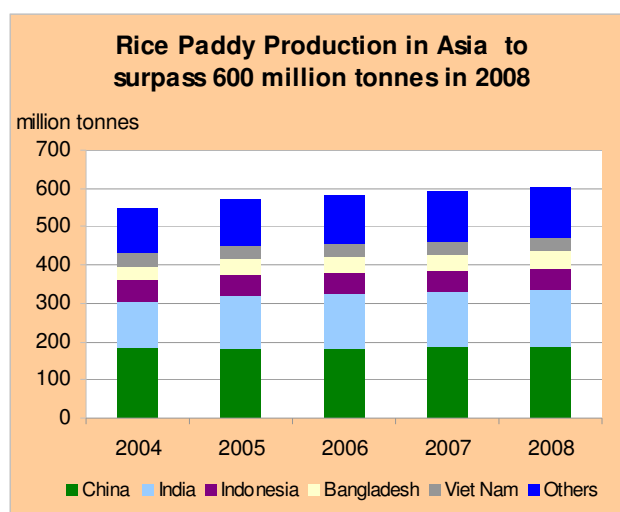
## 1.1. PRODUCTION OUTLOOK FOR 2008

### Global production in 2008 forecast to grow by 2.3 percent

FAO's early forecast of world paddy production in 2008 points to a 2.3 percent increase to 666 million tonnes from the current 2007 estimate of 652 million tonnes and a new record. The increase could turn to be even more pronounced if current appeals and incentives to grow more rice all over the world translate into a sizeable expansion of plantings. In many countries, however, the response may be inhibited by insufficient availability and difficult access to basic inputs, in particular rice seeds and credit. All of the production expansion is set to stem from gains in the developing countries, foremost in Asia but also in Africa and in Latin America and the Caribbean. Production in the developed countries is foreseen to fall to 23.7 million tonnes from 24.3 million tonnes in 2007, the fourth consecutive year of declines.

It is important to note that, at this time of the year, the outlook is very preliminary: either the 2008 main paddy crops have not yet been planted or they are just at the planting stage in countries located in the northern hemisphere, which include the major producers. There is more advanced information for countries situated along and south of the equator, which are already harvesting their first 2008 crops.

### A. Asia



### Production in Asia could breach the 600 million tonne threshold in 2008 for the first time

For the first time, paddy production in Asia may surpass the 600 million tonne benchmark in 2008. The current forecast, at 605 million tonnes would represent a 2.1 percent and 12.6 million tonne increase compared with 2007. Major gains are expected all across the region, as numerous countries have launched measures to promote rice cultivation over the season, amidst soaring prices and increased demand for reconstitution of food reserves. **Bangladesh, China,**

**Myanmar, the Philippines and Thailand** are now expected to register the largest gains, in absolute terms. By contrast, production may fall in **Japan**, while little growth is expected in **Viet Nam**, where crops have suffered setbacks since 2004. Among southern hemisphere countries, where the season is well advanced, prospects are rather buoyant for **Indonesia** and **Sri Lanka** despite some recent flood-incurred losses.

In **Bangladesh**, farmers already started in April the planting of the 2008 first Aus paddy crop, the smallest of the three that are grown over a season. Production in 2008 is currently forecast to reach a record 44.0 million tonnes in 2008, or 6 percent more than in 2007, as farmers respond to more attractive paddy prices and to government renewed incentives to boost the sector.

In **mainland China**, there have been reports of extensive drought problems since November 2007 in the Northern provinces, now spreading to the southern parts of the country, which may affect the early rice crop, which is now being planted in the southern provinces. Like in 2007, the lack of water would negatively affect the development of the first crop into the new paddy season, due to be harvested in June-July. FAO first forecast of production over the full 2008 season stands at 187 million tonnes, 1.6 percent more than the current estimate for 2007. Part of the increase would arise from an extension of plantings favoured to some extent by increases in market prices, which have been more pronounced in the case of rice than of wheat. Ongoing policies also support the grain sector. In particular, the government remains strongly committed to keeping the area under food grains from falling below 100 million ha. With that aim, it increased minimum procurement prices by around 10 percent in February 2008 from Yuan 1400 -1500 per tonne in 2007 to 1540 – 1640 per tonne and again in March 2008 to Yuan 1540-1640 per tonne<sup>2</sup>. Protective prices are operative in a number of rice growing provinces, namely, Jilin, Anhui, Heilongjiang, Jiangxi, Hubei, Hunan and Sichuan. Based on information released by USDA, Chinese grain farmers are to receive the equivalent of US\$ 2 billion in direct payments in 2008, plus US\$ 6.4 billion in fuel and fertilizers subsidies. The sector benefits as well from subsidies on seed and machinery. Incentives to the sector are also being stepped up in the **Chinese Republic of Taiwan**, where the local government is launching a new programme to restore rice cultivation on fallow land, by reducing the subsidies paid to owners to keep their land idle, currently of Taiwan Dollar 45 000 (US\$ 1 485) per ha, an initiative expected to raise the area under rice by 20 000 ha to 280 000 ha and rice production by 100 000 tonnes. As a result, paddy output may increase by 8 percent to 1.6 million tonnes in 2008.

In **India**, the 2008 paddy season will only start in late May - early June, when the south-west monsoon rains usually reach the coast of the Kerala State. The arrival of the monsoon rains will launch the new season with the planting of the main Kharif crop. As the heavy reliance on the pattern of the monsoon renders rice production particularly prone to year-to-year variations, outlooks made at this time of the year are highly tentative and particularly prone to future revisions. Assuming normal weather conditions and given positive market price expectations and government incentives, including higher Minimum Support Prices, the country may succeed in lifting production above the 2007 excellent performance to 144 million tonnes, up slightly from the current 143.5 million tonnes estimated for 2007.

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<sup>2</sup> The rice protective price levels were set by the National Development and Reform Commission in March at RMB 1,540 (\$219.97) per tonne for early indica rice (Grade III); RMB 1,580 (\$226.07) per tonne for intermediate and late Indica rice; and RMB 1,640 (\$234.65) per tonne for japonica rice.





Situated in the southern hemisphere country, **Indonesia** already started harvesting its main **2008** paddy crop in February, a process it will complete in June. Despite some flooding episodes in late 2007 and early 2008, favourable growing conditions have generally prevailed. As a result, prospects are positive so far and the government is forecasting an output of 58.3 million tonnes, short of a new 59.9 million tonnes official target (the first target for the season was set even higher at 61.08 million tonnes), but 2.1 percent above last year's positive outcome. The increase has been

facilitated by government distribution of quality seeds, combined with more attractive market prices. Despite pressure from producers, however, the official procurement prices were maintained in 2008 at Rupiah 2 575 per kilo for paddy (US\$ 280 per tonne) and Rupiah 4 000 per kilo (US\$ 436 per tonne) for milled rice. Since March 2005, these prices are no longer defined as minimum producer prices but only as “government reference purchase prices”.

The 2008 paddy crop is being planted in **Iraq**. Production prospects for the 2008/09 crop are currently tempered by the late arrival of rains, and the lack of availability of quality inputs such as fertilizer and seed. As a result, production may fall by 3 percent to 300 000 tonnes in 2008. Planting of the 2008 paddy crop in the **Islamic Republic of Iran** is due in May –June, so forecast for this season production is still highly provisional at 2.9 million tonnes, up from 2.8 million tonnes in 2007. The increase is in spite of a lingering drought affecting the eastern and western parts of the country, as rice is cultivated in the northern region, under irrigation.

In view of the current downsizing production policy, the FAO preliminarily forecast of crops in **Japan** points to 1.8 percent decline to 10.7 million tonnes in 2008. Assuming no major negative shocks will affect crops over the season, the **DPR Korea** might gather 2.4 million tonnes, a 28 percent recovery from the poor 2007 harvest. This is still highly tentative, as the country will not plant the crop before May-June. Meanwhile, domestic rice prices in Pyongyang are reported to have doubled since last year, as the country is reported to be facing serious food scarcity, a consequence of the 2007 production shortfall. A recovery of production in the **Republic of Korea** is expected in 2008, assuming normal weather conditions, to 6.2 million tonnes.

In March, **Malaysia** finished to harvest its 2008 main paddy crop and already started planting its secondary crop. In December 2007, when the 2008 main rice crops were at an advanced stage of development, flood problems reportedly damaged some 18 000 ha of rice fields. Such losses are not unusual and the output forecast for the season remains positive, with a 1 percent increase to 2.3 million tonnes anticipated. The hike of international prices has given new vigour to the recently launched policy to achieve full self-sufficiency in rice. To support that objective, the government announced it would open up new land for rice cultivation in Sarawak. In 2008, **Myanmar** is foreseen to produce 31.6 million tonnes, 5.2 percent more than

in 2007. According to the official production figure, the paddy sector has grown by an average 6.5 percent per year since 2003.

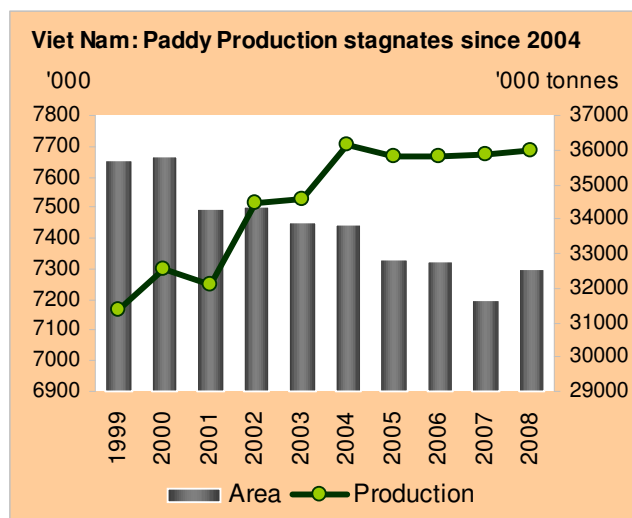
FAO's preliminary forecast of 2008 production in **Pakistan** stands at 8.3 million tonnes, on a paddy basis, 1 percent more than in 2007, as prices fetched by producers were reported to have risen substantially this year, which, under normal weather conditions, may prompt an expansion in planting and yields. However, the rice produced often presents quality problems arising at the paddy production stage and in the phase of processing into milled rice. To overcome the difficulties, exporters were reported in February 2008 to have accepted to pay a 25 percent quality premium to farmers in 2008. On the other hand, the government committed to strengthen research and modernize post-harvest facilities. Over the medium term, **the Philippines** remains committed to achieving rice self-sufficiency in the next few years. In April, it announced a new plan to boost agricultural production, with a budget of Pesos 48.7 billion (US\$ 1.17 billion), including Pesos 1 billion specifically targeted on rice. Measures considered to stimulate paddy output include the dissemination of quality seeds and fertilizers, development of irrigation facilities, improvement of farmer access to credit, promotion of research etc.. Renewed government support, together with better returns to farmers, is anticipated to help the country lift output in 2008 by 5 percent to 17.5 million tonnes.

Harvesting of the 2008 main Maha crop is already well advanced in **Sri Lanka**. Crop expectations are positive, despite heavy rains in March, usually a dry month over which farmers reap their grain, due to the effects of La Niña. Excess precipitation was reported to have caused floods, which delayed the harvest and damaged some 15 000 ha of rice fields in the eastern and southern parts of the country. Despite the losses, paddy production this year is forecast at 3.2 million tonnes in 2008, 3 percent above the poor 2007 outcome. The secondary crop, planted between March and April, will likely benefit from higher paddy prices, which the government is to sustain through the purchase of 1.2 million tonnes of milled rice and 300 000 tonnes of paddy at prices of Taka 28 per kg in the case of milled rice (US\$ 268 per tonne) and Taka 18 per kg in the case of paddy (US\$ 268 per tonne).

The 2008 main paddy crop in **Thailand** will only start being planted around May-June. FAO's very preliminary forecast for production in 2008 now stands at 32.2 million tonnes, 3.9 percent above current expectations for the 2007 season and an all-time record, as favourable prices are expected to foster an increase of plantings.

Although **Turkey** has been again affected by drought problems in 2008, the incidence appears to have been less severe than in 2007. As a result, paddy output is now expected to be up by 1.8 percent to 660 000 tonnes.

The 2008 paddy season already started in **Viet Nam**, where the Winter Spring crop, the first of the three major grown in a season, is already at the harvest stage in the southern region. A lingering cold spell in the Red River Delta and floods in the Northern and Central parts of the country, early this year destroyed 218 000 ha of rice fields, compelling farmers to replant the crop and delaying the harvest until June. On the other hand, the crop is being gathered already along the Mekong Delta, where excellent yields and larger planting are expected to boost output by 4 percent in that region. For the full season, production in 2008 for the whole country has been forecast officially at 36.550 million tonnes, up 1.9 percent from 2007. A higher level



could be achieved under normal growing conditions, if producer response to the government appeal to intensify paddy cultivation and to high market prices is particularly strong. The response will also depend on improved access to fertilizers, the price of which was reported to have soared. In the short term, the authorities are fostering a shift in favour of high yielding, short cycle varieties, resistant to insect infestation, away from varieties generating higher quality rice, which are normally less resistant to diseases and weather stress and yield much less per hectare. This contrast with the strategy to encourage

farmers to plant higher quality, higher priced, rice varieties, pursued in the recent past, when low world prices prevailed.

## B. Africa

### Paddy production to rebound in Africa in 2008, as producers respond to higher market prices and to government supportive measures

Severe increases in rice prices have been reported in most of Africa, prompting governments to launch actions in protection of consumers. Early in April 2008, the increases in retail prices were reported in the order of 300 percent in Sierra Leone, 50 percent in Cote d'Ivoire, Senegal and Cameroon. The price surges have encouraged governments to implement measures to revitalize production. In some cases, action has been taken to achieve the two conflicting objectives, at a high cost to the public sector.

On the production side, attempts are being made to improve access to basic inputs, in particular by providing subsidized fertilizers and seeds to the sector or by temporarily suspending the payment of value added tax or custom duties on their import. On the consumer side, many importing countries have reduced or waived the application of duties and other taxes on rice imports, while those holding surpluses are taking action to prevent rice from being exported, in an attempt to contain the increase on domestic prices.

With the exception of states located south of the equator line, the 2008 paddy season is just starting, as crops will be put in the ground between April and June. Assuming a normal rainfall pattern, production in *Africa* is forecast to reach 23.2 million tonnes, up 3.6 percent from 22.4 million tonnes in 2007. Much of the increase is on account of gains anticipated in Cote d'Ivoire, Egypt, Ghana, Guinea, Mali, Nigeria and Sierra Leone.

In *Northern Africa*, production in **Egypt** is forecast to recover by 1 percent to 6.6 million tonnes, up from 6.53 million tonnes in 2007. Government restrictions on exports, by depressing domestic prices, however, may have a negative impact on planting decisions, because of their

depressing effect on domestic prices and the policy uncertainty they cause among the major sector players.

In *Western Africa*, countries are now preparing land for planting ahead of the rainy season, which is expected to start soon. Given the importance of rainfed rice systems in the region, the outcome of the season will be influenced to a large extent by the pattern of the rainfall in the coming months. Production in the sub-region is now forecast to increase by 6.8 percent to 10.3 million tonnes, from the current estimate of 9.7 million tonnes in 2007. Much of this growth is likely to originate in **Mali**, which has a large potential for expansion of rice cultivation. Recently, the Government has mobilized Fcfa 45 billion, with the objective to boost paddy output by 50 percent in 2008, through an intensification of cultivation practices, larger use of fertilizers, improved rice seeds and irrigation. The plan also provides for giving rice producers preferential access to post harvest processing and marketing facilities. In **Ghana**, efforts are concentrating on the rehabilitation of irrigation infrastructure under the Ghana Irrigation Development Authority, which already restored nine abandoned irrigation facilities, with the goal to promote irrigated rice cultivation. The country is now forecast to harvest 280 000 tonnes, compared with 240 000 tonnes in 2007. **Guinea**, which launched the 2008 paddy season on 25 April, announced a programme to facilitate producer access to seeds and fertilizers, which could sustain an increase in output to 1.450 million tonnes, up from an official estimate of 1.402 million tonnes in 2007. Similar initiatives are being launched across the region. For instance, **Liberia** recently signed a US\$ 30 million concession Agreement for large-scale commercial rice production with the Foundation for African Development Aid Commercial. **Nigeria** announced in April that, in order to boost paddy output, it would give access to land for large scale rice cultivation and promote cooperatives and contract farming. However, it also announced that from 2009, subsidies on fertilizers would be withdrawn, a move that should not have an impact on 2008 paddy crops. Assuming a more normal rainfall pattern this year and improved supply of agricultural inputs, paddy production in Nigeria may recover by 3.9 percent to 4.0 million tonnes. Against the backdrop of the rice self-sufficiency programme launched in 2007, **Senegal** is now forecast to harvest 310 000 tonnes of paddy, 7.7 percent more than in 2007. The government has established a higher production objective of 460 000 tonnes for 2008, and an even more ambitious target of 1 million tonnes in 2015. Provided the weather pattern is not unfavourable in the next few months, the intensification of government support combined with better market prices may result in sizeable production gains also in **Chad, Guinea Bissau, Liberia and Niger**.

In *southern Africa*, harvesting of the 2008 paddy crops started in April. Despite the disruptions caused by the passage of cyclone Fame in January 2008 and cyclone Ivan in February 2008, the output in **Madagascar** is forecast to reach 3.6 million tonnes, matching the 2007 level. Indeed, the pattern of the 2008 season has been similar to that of 2007, which also started with a strong incidence of hurricanes. This season, cyclone Ivan hit the eastern part of the Island, provoking losses in 12 out of the 22 regions and flooding 80 000 hectares of rice fields. To limit the impacts, the government has launched the free distribution of seeds in the affected regions, to enable farmers to replant their crops. Within the current policy framework, rice production is to double to 7 million tonnes by 2012. A main element of the expansion strategy relies on the use of Nerica rice varieties, to raise yields. This season, the government is encouraging farmers to grow a second or even a third paddy crop and is providing assistance through the supply of equipment and inputs, including 300 tonnes of short cycle rice seeds, 480 tonnes of fertilizers. The crop situation is less positive in **Mozambique**, where above normal rainfalls and cyclones in recent months have caused floods and damaged 150 000 hectares of crops. Among the various provinces growing rice, Zambezia was particularly affected but replanting could still minimize the losses. On the other hand, conditions have been favourable in Cabo Delgado and Niassa. Overall, the country is foreseen to harvest 180 000 tonnes over the season, down from 196 000 tonnes in 2007.

In *eastern Africa*, **Kenya** is expected to benefit from subsidized fertilizer supplies, which the government announced would be made available to farmers at half the market prices. The measure was taken as a reaction to a 75 percent surge in rice prices. Production in the country may reach 65 000 tonnes in 2008, sustained by the dissemination of Nerica rice varieties among farmers. In **Tanzania**, precipitation over the main rainy period between October 2007 and January 2008 has been satisfactory, which should have favoured the development of the paddy crop. As a result, rice production is forecast to reach 1.450 million tonnes in 2008, up from an official estimate of 1.411 million tonnes in 2007. In April 2008, representatives of the five nations belonging to the **East Africa Community**, namely Burundi, Kenya, Rwanda, Tanzania and Uganda met to negotiate the establishment of the East African Common Market, allowing for free movement of production factors and of citizens, with right of settlement within the EAC. The five countries, which already operate the EAC Customs Union, impose a 25 percent external tariff on finished goods, 10 percent on semi-processed goods and 0 percent on raw material. Rice, however, attracts a much higher external tariff of 75 percent, subject to a minimum value of US\$ 200 per tonne. Negotiators aim at reaching an agreement by December 2008.

### C. Latin America and the Caribbean

#### Sharp rebound of paddy production anticipated in 2008

The 2008 paddy season is already well advanced in South America, but is just beginning in Central America and the Caribbean. The weather pattern in the coming months, and especially between 1 June and 30 November, the conventional period of tropical cyclone activity in the Atlantic basin, will be critical to paddy crops in the sub-region, which have already been battered by heavy precipitation in recent months. Overall, paddy production in *Latin America and the Caribbean* is forecast to reach 26.2 million tonnes in 2008, a 7 percent rebound from the 24.4 million tonnes harvested in 2007. Although some gains are expected in Central

America and the Caribbean States, the bulk of the increase is expected to come from larger crops in South America, in particular from **Argentina, Bolivia, Brazil, Colombia, Uruguay and Venezuela.**

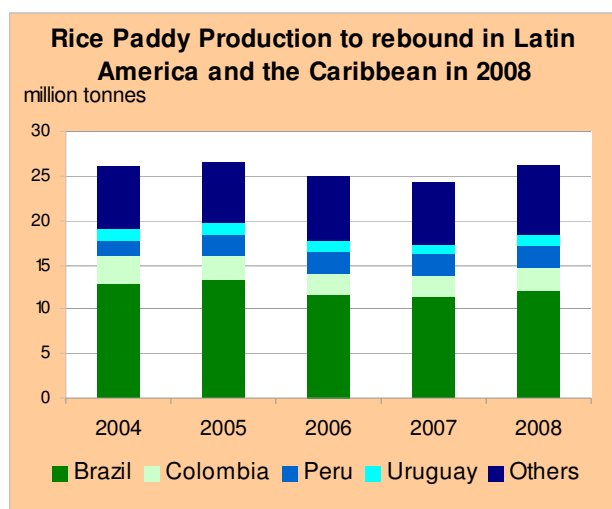
Assuming average weather conditions, production in *Central America and the Caribbean* is foreseen to recover somewhat to 2.55 million tonnes, up from 2.43 million tonnes in 2007. This rather subdued outlook is influenced by expectations of a contraction in the **Dominican Republic**, the largest producer in the sub-region, where production is officially forecast to fall from 747 000 tonnes in 2007 to 714 000 tonnes in 2008. Part of the decline is expected to be compensated by a rebounding of output in **Mexico**, now set to harvest 320 000 tonnes, 10 percent above 2007. A recovery is also foreseen in **Cuba, Guatemala, Haiti, Honduras and Nicaragua**, with some growth also expected in **Costa Rica**. The new leadership in **Cuba** has placed agriculture development among its key objectives and increased the resources devoted to the sector. In April 2008, the Government was reported to have raised the rice prices it pays to private producers and cooperatives and to have decentralized the process of decision and distribution. Cuba may benefit this year from the assistance of Venezuela, for the purchase of machinery and basic inputs and rehabilitation of the “Ruta Invasora” rice state farm. As a result, Cuba may harvest 455 000 tonnes in 2008, up from a 430 000 tonnes estimate in 2007. In **Haiti**, measures have been announced in response to a surge in domestic prices, such as the granting of subsidies on fertilizers and a progressive shift of importers’ purchases to locally produced rice. Against this backdrop, production in Haiti may increase by 2 percent to 94 000 tonnes. A recovery of production to 310 000 tonnes is also anticipated in **Nicaragua**, where the Government has launched a financing programme targeted to 167 250 small cereal producers over the 2008/09 season, with a budget of more than US\$ 6 million. Under the programme, the government is to supply certified rice seeds and other basic inputs on credit terms, free of interest rates. In **Panama**, producers were reported to face difficulty in selling their product to the mills early this year, which led them to request the Government, early in March, to suspend rice imports until the end of the month. In response to a sharp rise in production costs, from US\$ 1 100 per ha in 2007 to US\$ 1 900 per ha this season, producer associations have called the government for assistance. Accordingly, in March 2008, a set of incentives to sustain the sector was announced, which could help foster a recovery of production to 290 000 tonnes in 2008.

Current 2008 production prospects are positive in *South America*, where an overall 23.6 million tonnes are expected to be gathered, 7.7 percent more than in 2007. Much of the increase is expected to stem from a recovery of output in **Brazil**. Based on the seventh planting survey conducted by CONAB, the area under rice declined by 1.3 percent from last year’s level of 2.967 million hectares, as growers in the Centre west and South eastern regions shifted some land in favour of wheat or soybean. Much of the shortfall was compensated by a recovery of rice cultivation in the Southern Region, in particular in the State of Rio Grande do Sul, which had been constrained in the 2007 season by a lack of rainfall. Given the much higher yields normally achieved in the Southern region, the country is now expected to gather almost 12 million tonnes of paddy, 5.7 percent above the depressed 2007 outcome, as a 7.1 percent increase of yields compensated for the drop in area.

	Area		Yields		Production	
	2007	2008 forecast	2007	2008 forecast	2007	2008 forecast
	million ha		tonnes per ha		million tonnes	
All country	2.967	2.928	3.813	4.083	11.316	11.955
North-Northeast	1.242	1.197	1.741	1.911	2.163	2.286
Centre- South	1.725	1.731	5.305	5.585	9.153	9.669

Source: CONAB April 2008 Survey

In **Argentina**, 59 percent of the area sown to rice was already harvested by mid-April. Sustained by positive expectations over returns, farmers have expanded cultivation to 185 000 ha, 10 percent more than in 2007. Despite some late planting in the Entre Rios Province, yields of at least 7 tonnes per ha have been forecast, given favourable growing conditions. As a result, production in 2008 (2007/08 for the country) is set to expand by 17 percent to 1.26 million. In **Bolivia**, planting of the crop, normally due between October and November, was delayed by a lack of diesel in Santa Cruz, the main producing state, while excess precipitation hampered harvesting operations in February. Nonetheless, output is expected to register a partial recovery to 407 000 tonnes. By contrast, prospects are negative for the second consecutive year in **Chile**, which may incur a 7 percent decline of output to 130 000 tonnes, as non remunerative prices depressed investment in the sector.



Official forecasts in **Colombia** point to a 7.0 percent increase in production to 2.591 million tonnes in 2008, driven by a 5.6 percent increase in plantings. The expansion reflects rising producer prices over 2007 but also enhanced support to the sector under the “Agro, Ingreso Seguro” (Agriculture, Secure income) launched in December 2006, which gave growers access to low interest rate investment loans. In order to dampen the effects of soaring input prices on production, estimated in the order of 50 percent in the case of urea, the country announced in March 2008 it would cut tariffs on

imported inputs, in particular, fertilizers and pesticides. Paddy production in **Ecuador**, which is mainly harvested between April and June, has been hampered by excessive precipitation at the beginning of the year, which resulted in the loss of 28 000 ha along the coast. Part of the affected fields are expected to be recovered through replanting, since the government announced in April it would distribute rice seeds to affected farmers. However, measures taken in late 2007 to discourage exports may also have prevented a full recovery of plantings, in the face of rising production costs. As a result, production is expected to reach 1.34 million tonnes, 3 percent more than in 2007 but still below the levels achieved between 2004 and 2006.

The official outlook is rather positive in **Guyana**, where paddy output is set to increase by 15 percent to a record 526 000 tonnes. Incentives have been granted to foster an expansion of rice cultivation, for instance through a reduction of taxes on fuel, exemption of value added tax on fertilizers, pesticides, basic machinery such as harrows and ploughs as well as spare parts. The country was exposed to heavy rainfall in February, associated to the prevalence of La Niña conditions, which made drainage of rice fields necessary. These actions were aimed at reducing the impact on the first paddy crop, harvested between February and April, which is targeted to reach 259 300 tonnes. Early indication point to an excellent performance of the crop, which should help ease a tight situation in local markets, manifested through rising prices. According to the authorities in **Peru**, the area cultivated with rice in late 2007-early 2008 increased substantially. Between January and March 2008, however, the sector was affected by flooding which caused much damage to crops in the Selva region, in particular in San Martín, Jaén and Bagua, but also along the northern Atlantic Coast, in Piura, Tumbes and Lambayeque. As some of the lost fields are expected to be re-sown, production in the country is currently forecast at 2.5 million tonnes, 3 percent more than in 2007 and an all time record.

In **Uruguay**, production is set to recover by 22 percent from the depressed 2007 level, to 1.4 million tonnes. The increase reflects an expansion of more than 20 percent in the area planted and record yields. The expansion in planting was driven by favourable returns expectations, despite an estimated 15 percent rise of costs.

Reflecting strong government support, paddy production in **Venezuela** is likely to increase again in 2008, with output forecast to reach 1.1 million tonnes, 14.5 percent more than the record achieved in 2007. In February 2008, a 44 percent increase of prices paid to producers by the government was announced. The measure, which would lift paddy producer prices to Bolívar 720 per kilo (US\$ 335 per tonne), together with the extension over 2008 of a Bolívar 73 000 (US\$ 34) per tonne subsidy to compensate rice producers for rising costs, is expected to provide further incentives to expand the area under rice.

## **E. Rest of the world**

### **Production in 2008 set to decline in Australia, the United States and the EU**

Based on current information over the advancement of the 2008 paddy seasons, production prospects are negative for Australia, which could only sow a fraction of the normal rice area, but also for the United States and the European Union, where competition from other crops may be reflected in a reduced paddy output this season.

In **Oceania**, heavy precipitation in January and February 2008 came too late to enable farmers in **Australia**, to plant more than 2 000 ha, the lowest level on record and 90 percent less than in 2007. Paddy production in the country remains forecast at 18 000 tonnes, sharply down from the 161 000 tonnes harvested in 2007 and the lowest on record. For illustration, in 1999, Australia had harvested 1.35 million tonnes of paddy rice. The recurrence of drought problems since 2002 has raised questions about the rationale of growing a water intensive crop such as rice for export. The new stance may foster, over the medium term, a progressive retrenchment of Australia from rice cultivation and some paddy growers were already reported to be selling their lands and transferring their water entitlements, often in favour of vine growers.



In *North America*, farmers in the **United States** are currently sowing the 2008 paddy crop. Despite prevailing high rice prices, the March planting intentions pointed to little change in rice cultivation in 2008 from 2007, largely because of rising production costs and more buoyant return prospects for other crops. By 20 April, progress in planting the crop showed that only 26 percent of the intended area had been put under rice compared with 40 percent on 20 April 2007, as heavy rains and flooding problems delayed operation in the Delta region, in the States of Missouri and Arkansas. Because of the possible negative impact the delay could have on yields, production in the United States is currently forecast by FAO to fall by 2.9 percent to 8.7 million tonnes. Since its formal expiration in 2007, the 2002 US Farm Bill has been extended repeatedly as the Congress, Senate and the Current administration could not reach an agreement on the new Bill. Meanwhile, prices have also risen sharply over the year in the United States, which has prompted the Wal Mart supermarket chain to ration rice sales.

USA – 2008 Rice Prospective Plantings: Area by Class and State <sup>1/</sup> (000 ha.)								
	2007				2008			
	Long Grain	Medium Grain	Short Grain	All	Long Grain	Medium Grain	Short Grain	All
<b>Total</b>	<b>834.9</b>	<b>255.8</b>	<b>26.7</b>	<b>1117.4</b>	<b>837.7</b>	<b>256.6</b>	<b>26.7</b>	<b>1121.0</b>
Arkansas	479.6	58.7	0.4	538.6	501.8	52.6	0.4	554.8
California	3.6	186.2	26.3	216.1	3.6	192.2	26.3	222.2
Louisiana	144.5	9.3	0.0	153.8	127.5	10.1	0.0	137.6
Mississippi	76.9	0.0	0.0	76.9	72.8	0.0	0.0	72.8
Missouri	72.4	0.4	0.0	72.8	68.4	0.4	0.0	68.8
Texas	57.9	1.2	0.0	59.1	63.5	1.2	0.0	64.8

<sup>1/</sup> Released March 31, 2008

Source: National Agricultural Statistics Service (NASS), Agricultural Statistics Board, USDA.

In *Europe*, most of the producing countries belonging to the **EU** completed their rice planting operations in May. The drought in Spain, which held back rice cultivation last season, has been recurring this year, which may prevent a full recovery from taking place in the country. High wheat prices also fostered some shift of land into soft wheat away from rice in Italy. As a result, output in the 25 member countries is forecast to be in the order of 2.649 million tonnes, slightly below the 2.683 million tonnes harvested in 2007. For the EU-27, the 2008 forecast stands at 2.718 million tonnes. Production in the **Russian Federation** is expected to benefit from investment into sector, prompted by the more protective policies implemented in the country and expanding domestic demand. As a result, output in the country is now set to expand by 3 percent to 730 000 tonnes.

## II. INTERNATIONAL TRADE

**After reaching a record high in 2007, trade in rice is expected to contract in 2008 constrained by an extensive use of export restrictions**



Since November 2007, when Egypt and Viet Nam took action to slow the pace of their exports, a growing number of countries have followed suit, a reaction to soaring international rice and wheat prices that were being translated into substantial increases of domestic prices. As access to major sources of supplies was barred, the forecast of global rice trade in 2008 has been lowered by 1.5 million tonnes and now stands at 28.8 million tonnes. At the same time, following the submission of new official export or import data, the total volume of trade in 2007 has been raised by 1.1 million tonnes to an all time

record of 31.0 million tonnes.

The major changes to the **2007 global trade estimate** mainly stemmed from revisions to imports to Bangladesh (+103 000 tonnes to 1.4 million tonnes), Indonesia (+200 000 tonnes to 1.7 million tonnes), the Islamic Republic of Iran (+150 000 tonnes to 1.1 million tonnes), Sierra Leone (-160 000 tonnes to 50 000 tonnes), South Africa (+214 000 tonnes to 950 000 tonnes) and Nicaragua (+116 000 tonnes to 236 000 tonnes). On the export side, much of the revision to the 2007 trade estimate was on account of India (+1.05 million tonnes to 5.0 million tonnes) and Egypt (-100 000 tonnes to 1.2 million tonnes).

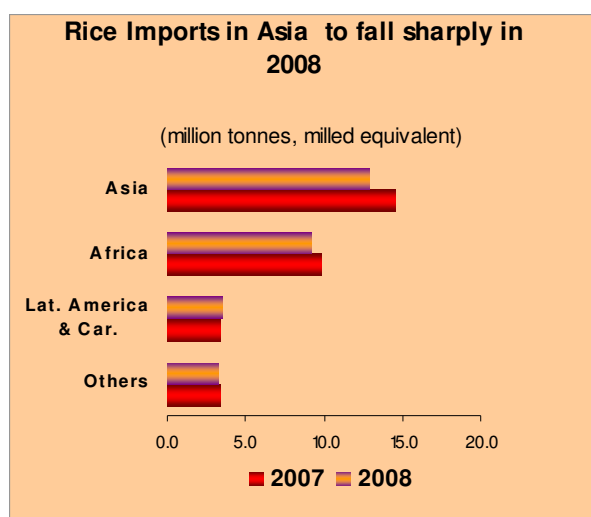
As for the new **trade outlook in 2008**, the principal changes to the import forecasts concerned Bangladesh (-500 000 tonnes to 1.0 million tonnes), Indonesia (-500 000 tonnes to 0.5 million tonnes), Iraq (-200 000 tonnes to 0.7 million tonnes), the Philippines (+500 000 tonnes to 2.1 million tonnes), Saudi Arabia (-100 000 tonnes to 0.9 million tonnes), Viet Nam (-100 000 tonnes to 200 000 tonnes), Cote d'Ivoire (-100 000 tonnes to 0.8 million tonnes), Sierra Leone (-160 000 tonnes to 50 000 tonnes) and Brazil (+200 000 tonnes to 0.8 million tonnes). The principal revisions to the 2008 exports involved Cambodia (-200 000 tonnes to 0.9 million tonnes), China Mainland (+100 000 tonnes to 1.5 million tonnes), India (-1.6 million tonnes to 2.0 million tonnes), Thailand (+ 800 000 tonnes to 9.8 million tonnes), Viet Nam (-800 000 tonnes to 4.0 million tonnes), Brazil (-100 000 tonnes to 200 000 tonnes) and Uruguay (+100 000 tonnes to 850 000 tonnes).

At the current forecast level of 28.8 million tonnes, trade in rice in 2008 would register a decline of 7.2 percent, equivalent to 2.2 million tonnes, from the 2007 record level. The decline would be mostly supply-led and heavily influenced by the restrictive export policies conducted by several of the major traditional suppliers to the international market. At the forecast level of 28.7 million tonnes, trade in rice would account for 6.5 percent of global milled rice production, down from 7.1 percent in 2007.

## A. Rice imports in 2008

### High prices and difficulty in finding supplies to depress imports in 2008

FAO's anticipated decline in world imports in 2008 would partly be the result of the much higher level of prices that countries would have to pay on international markets and of the recent difficulty in identifying and securing supplies from exporters. Indeed, several of the government responding to the FAO questionnaire indicated a level of planned imports larger than that retained by FAO. Indeed, with many sources of supplies virtually closed and surging world prices, not all of the intended purchases may be realized. There is some scope, however, for the market to evolve towards an easier situation, as newly harvested rice from the secondary crops in the Northern Hemisphere and from the main crops in the Southern Hemisphere becomes available in the coming months. However, this would happen only if the new harvested rice is allowed to be traded on the international market rather than retained by producing countries to reconstitute their reserves.



Asian countries are expected to be responsible for much of the contraction in world imports in 2008, as deliveries to the region are now anticipated at 12.9 million tonnes, down from an estimate of 14.5 million tonnes in 2007. In particular, shipments to **Bangladesh, Indonesia, the Islamic Republic of Iran, Saudi Arabia and the United Arab Emirates** are expected to be lower, which would more than offset increased imports to **Iraq, DPR Korea and the Philippines**.

The sharp losses incurred in late 2007 after floods heavily damaged its main Aman

crop, have constrained **Bangladesh** to come on the market for both commercial and food aid imports. The country was particularly affected by the export restriction imposed by India, with some relief brought by India's decision to relax the minimum export price condition on its humanitarian exports, and to supply the country with 450 000 tonnes at preferential conditions. Bangladesh is now anticipated to import 1.0 million tonnes of rice over 2008, down from 1.4 million tonnes in 2007 and half the level previously forecast. Both the revision and the year-to-year decline of imports reflects the excellent results of the 2007 Boro crop, just harvested, which should substantially reduce the need for external supplies for the remainder of the year. Even though **India** is the second or third largest traditional rice exporting country, concern over availability of supplies led it to cut the rice import duty from 70-80 percent to 0 percent in March 2008. This is not likely to convert it into a major rice importer, but could facilitate regular purchases of rice from neighbouring countries, such as Myanmar.

For much of 2007, **Indonesia** was confronted with high domestic prices and low stocks, a situation that prompted the country to relax the ban it had imposed on rice imports and to negotiate a memorandum of understanding with Thailand to exchange 1.5 million tonne under

a government-to-government deal. Such an agreement giving Indonesia preferential access to Thai rice supplies was extended in March 2008. In February 2008, the rice import duty was also lowered from Rupiah of 550 to Rupiah 450 per kilogram. Since then, excellent crops have been harvested, which have considerably reduced the pressure on the country to import. As a result, shipments to the country over calendar 2008 are now anticipated to fall to some 500 000 tonnes, substantially less than the 1.7 million tonnes purchased in 2007.

Imports of grains in **Iraq** are conducted by a government trade agency, which, in February 2008, launched various tenders to purchase rice and wheat as low imports in 2007 had substantially eroded national grain reserves. By mid-February, the country appears to have secured 110 000 tonnes of rice, mainly from Thailand and Viet Nam. Over the full calendar year, imports may amount to 800 000 tonnes, up from 700 000 tonnes in 2007 but less than previously forecast. Although the bulk is expected to continue being administered by the Ministry of Trade, in January 2008 it was announced that the private sector will also be allowed to engage in grain importation. Purchases by the **Islamic Republic of Iran** are now anticipated to drop from 1.1 million tonnes in 2007 to 0.9 million tonnes in 2008, mainly because of the positive production results last year. Reflecting the 2007 production shortfall, imports to the **DPR of Korea** are forecast to rise from 400 000 tonnes in 2007 to 650 000 tonnes this year. Much of those supplies are expected to be sourced from China, as provision of food aid from the Republic of Korea is expected to drop. Despite high international prices, **Malaysia** official trade forecast points to a slight increase of rice purchases, from 799 000 tonne sin 2007 to 811 000 tonnes in the current year.

The **Philippines** announced recently it planned to import 2.1 million tonnes of rice in 2008, the largest level in ten years and 500 000 tonnes more than previously forecast. The country has been a major player on the international scene since December last year, when the National Food Authority (the state-controlled agency responsible for rice imports, domestic procurement, storage and distribution under special distribution programmes) launched various tenders to purchases large quantities of rice. On 10 December 2007, it tendered the purchase of 450 000 tonnes, for shipment in February and March. It was again on the market on 29 January 2008 to buy 550 000 tonnes and on 11 March 2008 for 450 000 tonnes for delivery between March and May. Since then, the country is reported to have continued to procure rice internationally to reconstitute NFA rice reserves, which, by 1 February 2008, had fallen by 25 percent, year-on-year. If the import target is to be met, an additional 650 000 tonnes would have to be contracted for delivery before August, not to interfere with the arrival of new supplies from the 2008 main crop. In this connection, the head of the Government was reported to have approached the authorities in Viet Nam, the most important supplier of rice to the Philippines, to get assurance that it would give Philippines preferential access to its supplies. The National Food Authority, continues to be the major rice importer to the country. However, to facilitate importation and dampen further price increases, farmers have been allowed this year to bring in, during the lean period, from April to July, the WTO minimum import quota of 163 000 tonnes free of duty, by exempting them from the payment of the 50 percent tariff.

On 27 March 2008, **Sri Lanka** exempted rice imports from the payment of custom duties and released supplies from public stocks in an attempt to keep domestic prices in check. The government also requested the authorities of India to waive the minimum price conditions it had imposed on exports. Sri Lanka is now expected to import 100 000 tonnes, up from 88 000 tonnes in 2007.

Rice prices have been rising sharply in **Turkey**. Despite low supplies from the reduced 2007 crop, and the suspension of duties on rice imports conducted by the Turkish Agricultural Board, deliveries to the country are expected to hover around 200 000 tonnes, slightly above last year, but less than previously anticipated as the country, which depends much on supplies of round and short grain rice from Egypt, may find difficult to get rice from other sources. Since 2006, **Viet Nam** has authorized some rice to be imported from Cambodia under a free-of-duty tariff quota. In 2007, about 150 000 tonnes were allowed under the preferential quota, with a further increase to 200 000 tonnes proposed for 2009. However, the recent decision from Cambodia to contain rice flowing to both Thailand and Viet Nam is likely to depress rice deliveries to Viet Nam to 200 000 tonnes, down from 300 000 tonnes in 2007.

Current import forecasts for *African countries* point to a 6.2 percent drop to 9.2 million tonnes in 2008. The decline reflects in part the prevailing high international prices, which are expected to depress rice purchases, although not enough to prevent rice import bills from soaring. On the other hand, a wide number of countries are waiving tariffs and other import duties applied to rice, to dampen the effect of higher world quotations on the final internal prices. Often to benefit from the tariff exemption, traders had to commit to keeping the sale prices of the imported rice below a certain threshold. Currently, no rice is expected to be shipped to **Egypt** this year. In 2007, the government bought 100 000 tonnes of rice, mainly from India, to check a tendency for domestic prices to rise. This year instead, the authorities are resorting to restrictions on exports that slow the outflow of rice from the country as a means to stabilize domestic prices. In western Africa, most countries are anticipated to reduce their shipments, but the declines are expected to be modest. Among the major importers in the region, **Guinea** and **Senegal** are anticipated to reduce their purchases, partly a reflection of higher harvested crops in 2007. Official estimates for **Senegal** point to 16 percent fall in imports, from 968 000 tonnes to 811 000 tonnes. High world prices could also slow the pace of deliveries to **South Africa**, which last year bought 950 000 tonnes. Shipments to **Cote d'Ivoire** are anticipated to remain in the order of 800 000 tonnes, despite the suspension of import duties and the halving of the Value Added Tax from 18 percent to 9 percent on the importation of rice, oil, milk and soap, announced on 2 April 2008.

By contrast, imports to **Nigeria** are anticipated to increase to 1.8 million tonnes, up from 1.7 million tonnes in 2007, as the country needs to compensate for the 2007 production shortfall. It is not clear whether Nigeria has waived or lowered the payment of import duties on rice, as neighbouring states have done. Nigeria's import duties are among the highest in the region, at more than 100 percent. Deliveries to **Mali** may also increase, facilitated by the exemption from the 10 percent import tariff and the 18 percent value added tax for the period running from 1 April to 30 September 2008. The exoneration concerned only the 100 percent broken rice and milled rice imported in packages of at least 5 kilo. The static 2008 production in **Madagascar** could also result in larger imports to the country, now forecast to rise by 11 percent to 200 000 tonnes. Based on the current poor 2008 crop prospects, shipments to **Mozambique** are expected to increase by 10 percent to 375 000 tonnes.

Countries in *Latin America and the Caribbean* are currently anticipated to maintain overall imports unchanged from the 2007 level of 3.46 million tonnes, with much of the increase on account of larger rice deliveries to South American countries. Indeed, aggregate imports in *Central America and the Caribbean* are foreseen to fall from 2.4 million tonnes in 2007 to 2.3

million tonnes this year. Among the largest importers in the sub-region, **Cuba** is forecast to import 650 000 tonnes, virtually the same level as last year, as the country benefits from preferential access to supplies from Viet Nam, under government-to-government cooperation. Deliveries to **Haiti**, however, may increase somewhat to 330 000 tonnes. By contrast, high international prices may depress imports by **Mexico** and **Nicaragua**, respectively by 11 percent to 503 000 tonnes and by 36 percent to 150 000 tonnes.

Despite the currently buoyant outlooks for the 2008 paddy crops in **South America**, rice shipments in the sub-region are foreseen to rise to 1.2 million tonnes, up from 1.06 million tonnes in 2007, reflecting larger purchases by Brazil, Colombia and Ecuador. Purchases by **Brazil** are now forecast in the order of 800 000 tonnes, up from 705 000 tonnes in 2007, despite the anticipated rise in 2008 production. Indeed, the domestic supply and demand balance remains rather tight, which also prompted the government to impose a temporary ban on private sector's exports in April. Likewise, rice shipments to **Colombia** are forecast to reach 180 000 tonnes, up from 135 000 tonnes last year. The increase would be facilitated by the government, which, in April 2008, authorized the import of 160 000 tonnes of rice from Ecuador and Venezuela, free-of-duty, ahead of the bulk harvesting period. In **Ecuador**, the authorities reacted to a surge in domestic prices by announcing in March 2008 they would import 40 000 tonnes of paddy, equivalent to 26 000 tonnes of milled rice, by April to reconstitute the public strategic reserve. By contrast, the 2008 official forecast points to falling imports to **Peru**, from 80 000 tonnes in 2007 to 60 000 tonnes this year.

Among *other importers*, purchases by the 27 member of the **European Union** from third countries are foreseen to reach 1.3 million tonnes over calendar 2008, compared with 1.12 million tonnes in 2007. Based on notifications from EU member countries, over the first semester of the 2007/08 rice marketing season, from 1 September 2007 to end February 2008, imports of husked rice amounted to 454 574 tonnes, of which 152 470 tonnes corresponded to Basmati. Excluding Basmati, husked rice imports amounted to 302 104 tonnes. As this volume exceeded the threshold of 258 565 tonnes, non-basmati husked rice imports over the rest of the season, from 1 March to 31 August 2008, will attract a duty of € 65 per tonne. Given rising domestic consumption and the accession of new countries to the EU, it is expected that the United States will renegotiate the mechanism governing husked rice imports in the EU, with the view of increasing the volumes benefiting from lower tariffs. As for EU's milled rice imports, they rose sharply over the first half of the marketing year, to 192 418 tonnes, exceeding the 182 239 limit triggering an increase in the duty applied from € 145 per tonne to € 175 per tonne. EU imports of broken rice during the first semester of the 2007/08 marketing year were down more than 10 percent to 124 800 tonnes.

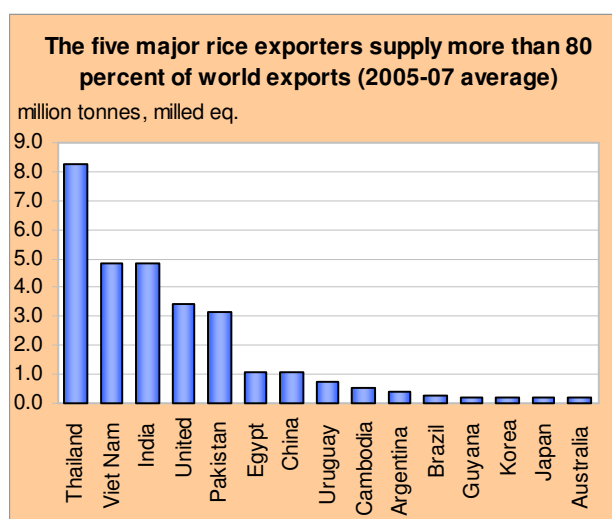
Based on USDA's forecasts, imports by the **United States** may rise to a new record of 725 000 tonnes from 699 000 tonnes in 2007, despite the larger 2007 crop, to meet increasing domestic consumption and exports. Following various seasons of very poor production results, **Australia** has had to rely increasingly on imports to meet domestic consumption and to maintain a minimum flow of exports to a number of traditional rice markets. In 2008, external purchases are forecast to reach 171 000 tonnes, up from 120 000 tonnes in 2007 and one of the highest level on record. By contrast, the **Russian Federation** is again expected to cut its rice purchases, against the backdrop of high international prices and high external protection. The

country imposes a seasonal duty of € 120 per tonne on rice imported from 1 March to 31 May and from 1 October to 31 December, but also tight phyto-sanitary conditions.

## B. Rice exports in 2008

### Global rice exports constrained in 2008 by export restraints

Since late 2007, the international rice market has been progressively constrained by policy measures implemented by several of the major exporters but also by minor players tending to limit sales abroad. Given the thinness of rice trade and the concentration of world rice exports among a handful of exporting countries, such moves have caused strong disruptions to the normal pattern of trade. They have also raised questions about the dependability of supplies, a matter of particular relevance to those importing countries that have come to rely increasingly on imported rice to meet their needs. The export restraints, by exacerbating the tendency for prices to rise, are also behind a large incidence of contract defaults by exporters, who had committed early to provide rice at prices that, at the time of delivery, did not even cover the cost of purchasing rice from millers.



The effect of the export restrictions on the volume traded in 2008 will depend to a large extent on the length of their application. Although some countries may suspend them in the next few months, global exports are forecast to fall by 2.2 million tonnes to 28.8 million tonnes in 2008. Much of the contraction is likely to stem from much reduced deliveries by India, but also Cambodia, Egypt and Viet Nam, the most important exporters currently controlling exports. Only part of these countries' shortfalls is expected to be compensated by increased deliveries from mainland China, Pakistan, Thailand, and the

United States, but also from Argentina, Guyana, Myanmar and Uruguay

In 2007, **Cambodia** announced it could allocate up to 2.3 million tonnes of its paddy (1.5 million tonnes, in milled rice equivalent) for export. However, amidst rising domestic prices, the government, in late March, suspended exports for a period of two months. The ban, however, caused severe problems in those provinces in the process of harvesting the dry crop, which lacked capacity of storage and processing. As a result, the Government agreed in April to relax the restriction in three provinces neighbouring Viet Nam (Prey Veng, Kandal and Takeo Provinces). These measures are expected to depress the outflow of rice over 2008 to 900 000 tonnes, down from a 1.1 million tonnes estimate in 2007.

**China** also took action to limit rice international sales, by abolishing a 13 percent tax rebate and introducing a 5 percent export tax, as of 1 January. The measure is not expected to have a

major impact on sales abroad, which are still tightly controlled by the government. Indeed, the volume of grain exports is set by the central government and the actual trade transactions performed by state trading firms. This year, the country is expected to ship 1.5 million tonnes, up from 13 percent from last year. Over the first 3 months of 2008, rice exports had already surged by 39 percent to 600 000 tonnes.

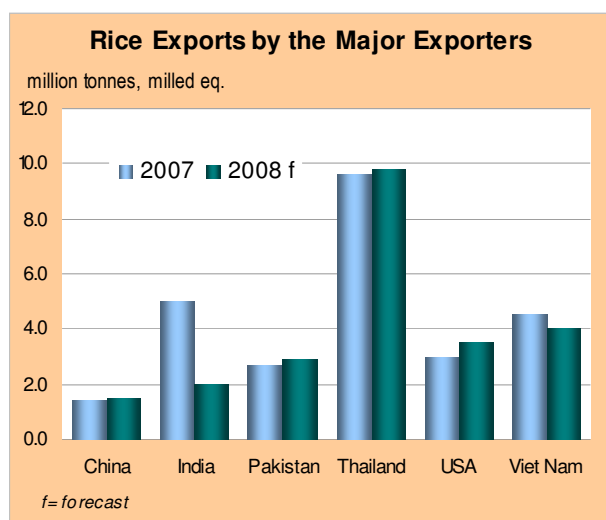
Since the introduction of a minimum export price (MEP) of US\$ 425 per tonne, FOB, in October 2007 for non-Basmati rice, **India** has progressively tightened the conditions to export rice: the MEP on regular rice was first lifted up in December 2007 to US\$ 500 per tonne; on 5 March 2008, it was again raised to US\$ 650 per tonne while a MEP of US\$ 900 per tonne was imposed on Basmati rice for the first time. In addition, to ensure compliance, exports were allowed to be conducted only through four ports (Kandla, Kakinada, Kolkata and Mumbai). On 27 March, the MEPs on non-Basmati and Basmati were again increased to US\$ 1000 and US\$ 1100 per tonne, respectively; and, on 1 April 2008, exports of non-Basmati rice banned altogether. Exempted from those limits are shipments conducted through India's humanitarian assistance programme or government-to-government bases, as those made to Bangladesh, or Sri Lanka. The imposition of these restrictions will have different impacts on the level of rice exports from the country depending on when they will be lifted. No timeline has been provided by the Government on when trade will be allowed to be conducted unconstrained, but if this is extended beyond April/May when the country harvests its secondary Rabi crop, shipments from the country could fall to 2.0 million tonnes, the lowest since 2001, and substantially less than the 5 million tonnes delivered in 2007.

Reacting to a surge of prices of wheat and rice, **Egypt** announced on 28 March it would suspend the exportation of rice from April to October 2008. The move succeeds to previous restrictions: Firstly, it introduced an export tax of Pounds 200 per tonne (US\$ 36 per tonne) in September 2007, thereafter raised to Pounds 300 per tonne (US\$ 55 per tonne) at the beginning of March 2008. These moves are expected to depress rice sales to foreign markets to 850 000 tonnes over the full calendar year, down from an official estimate of 1.223 million tonnes in 2007.

According to official estimates exports of rice from **Myanmar** virtually dried out in 2007, summing up to only 17 100 tonnes between January and December 2007, although they are likely to have amounted to at least 40 000 tonnes, when making provision of trans-border shipments. In 2008, exports are expected to rebound to some 600 000 tonnes, as several companies were given export permit to purchase more than 600 000 tonnes of rice locally.

As of mid April, **Pakistan** remained one of the few among leading rice exporters not having formally restrained rice exports. As a result, with a number of traditional sources of supply now barred, importers are turning to Pakistan to buy rice. Based on the current forecast, exports may rise by 9 percent to 2.9 million tonnes from the relatively poor performance of 2.65 million tonnes in 2007. The country is considering establishing a rice regulatory body to promote Pakistani rice exports and to enhance the quality of the locally produced rice, so as to avoid the repetition of market closures that has beset the industry in recent years. For instance, high moisture levels led the Islamic Republic of Iran and the United Arab Emirates to suspend the importation of rice from Pakistan, while its infestation with Khapra beetle and aflatoxin prompted a ban by Russia.





**Thailand**, the world largest rice exporter, has so far resisted to impose constraints on rice international sales, with the effect that rice shipments over the first quarter soared to 3.26 million tonnes, or more than 1 million tonnes per month, well above the 1.96 million tonnes shipped over January-March 2007. Since the maximum Thailand ever exported in a calendar year was 10.1 million tonnes in 2004, such a pace of deliveries for the rest of the year looks unsustainable. In fact, the Government, based on its allocation of production to meet domestic needs and reserves, has set an export target of 8.75 – 9.0 million

tonnes. FAO is forecasting a higher level of exports, at 9.8 million tonnes, which would be 2.5 percent above last year. The rapid surge in prices, however, appears to have unsettled the normal unfolding of trade at the beginning of the year, when several exporters were reported to have defaulted on their contracts.

Although sales from **Viet Nam** have followed a process of “stop and go” since September 2007, the country participated and made offers in various tenders. By early April 2008, it was estimated that the country had signed contracts to deliver 1.8 million tonnes. The government had further agreed to supply 1.5 million tonnes to the Philippines under a Memorandum of Understanding. Since Viet Nam has set an export target of 3.5-4.0 million tonnes in 2008, it is likely to play a much less active role on export markets in the next few months except for meeting demand from the Philippines or other traditional buyers such as Cuba. Over the full calendar year, exports from the country are forecast by FAO at 4.0 million tonnes, down 12 percent from 4.53 million tonnes in 2007 and 800 000 tonnes less than formerly anticipated. Based on information from USDA, on 26 March 2008, Viet Nam issued new rules on rice export, which tighten the requirements private exporters should meet in order to obtain licenses:

1. the volume of exports registered between January and June should not exceed half of the average volume of shipments in 2006 and 2007
2. export registered every quarter should not exceed the ceiling imposed by the Ministry of Industry and Trade
3. exporters should already hold half of the volume they contract for export
4. The export price agreed should be in line with those recommended by the Viet Nam Food Association (VFA)
5. Rice should be shipped within two months of the contract date
6. Private traders cannot engage in export with agencies importing rice on behalf of their governments, as is the case of the Philippines’ NFA; Indonesia’s Bulog; Cuba’s Alimport or Malaysia’s Bernas

The measures do not only aim to slow the contain rice exports but also to make sure traders do not face huge losses when committing to sell rice in advance, at a price lower than the level they have to pay when actually buying the rice from farmers or millers. Such practice resulted

in severe losses or contract defaults in previous years. As the new conditions impose a heavy administrative burden on exporters, the possibility to replace the export quota system with an export tax is under discussion. If approved, however, the measure is unlikely to be adopted before 2009.

Rice exports from **Australia** are forecast to hover around 50 000 tonnes, little changed from last year. However, given the lack of domestic supplies from production this year, much of the rice would have to be sourced abroad.

In the light of the bumper paddy crops just harvested in **Indonesia**, the possibility of exporting rice over the year has been prospected by some government officers. This possibility was barred with the passing in April 2008 of a regulation prohibiting rice export unless a 2 million tonnes surplus had been attained.

In Latin America and the Caribbean, **Brazil** introduced a temporary ban on private sector exports on 23 April 2008, when the crop was just being harvested, in reaction to a surge in international demand for rice from countries in Africa and South America. The measure is likely to constraint the volume of shipments over the next few months but, amidst positive expectations over production this year, rice exports are anticipated to remain around last year's level of 200 000 tonnes.

The positive rice production performance in 2007 in the **Dominican Republic** has allowed it to generate surpluses, which the National Rice Commission (CONA) has authorized to export to the tune of 20 000 tonnes in 2008. Reacting to a surge in international demand for rice and rising domestic prices, **Guyana** raised, as of 17 April 2008, the commission applied on rice exports and which is mainly intended to finance activities of the Guyana Rice Development Board (GRDB) and support to the rice industry. The commission was raised: from US\$ 6 to US\$ 9 per tonne in the case of bulk cargo rice, from US\$6 to US\$9 per tonne on polished white rice; from US\$ 6 to US\$ 8 per tonne on packaged rice; and from US\$2 to US\$5 per tonne on broken rice. However, to guarantee stable supplies to the feed industry, the country imposed a total ban on rice bran export and establish a ceiling of 10 000 tonnes on the export of broken rice. In September 2007, **Ecuador** imposed restrictions on rice exports, after domestic prices soared by more than 50 percent. The prohibition was extended in January for another three months as flood incurred losses raised fears that domestic supplies might not be sufficient to cover domestic needs. By mid-April, however, the measure was replaced by a minimum export price. Benefits generated on those exports will serve to establish a Rice Stabilization Fund, the objective of which is to finance the import of machinery, research and extension with the ultimate goal to strengthen the competitiveness of the sector.

### III. RICE UTILIZATION

**Despite widespread and pronounced increases in retail prices, per caput rice consumption forecast to rise slightly in 2008**

Reflecting the increase in world rice output in 2007, much of which is consumed in 2008, and current expectations of bumper crops in Southern Hemisphere countries in 2008, overall rice utilization this year is forecast to grow by 2.2 percent to 437 million tonnes, in milled rice equivalent. Of these, 379 million tonnes are foreseen to be consumed as food, 1.8 percent more than in 2007. As a result, and in contrast with the prevailing general situation of high retail prices, rice per caput food consumption is set to increase by 0.5 percent to 57.2 kilo per year, up from 57.0 kilo in 2007. To some extent, the gain may result from a shift of consumers away from more expensive foods, in particular livestock products.

To some extent, rice consumption this year is being sustained by policy actions aimed at keeping the price of rice affordable to consumers. Measures span from retail price controls, targeted distribution of subsidized rice to eligible households, exemption of tax or import duties, controls on exports, to public stock releases. Most of these moves have severe implications for government incomes and expenditures and are, therefore, difficult to be sustained for lengthy periods. Some of the policy responses are illustrated below, although the list of actions is far from being complete.

In **Asia, Bangladesh** released rice from publicly owned stocks through open-market sales, in an attempt to relieve pressure on prices, after these were reported to have doubled to Taka 40 (US\$ 0.58) per kilo between since January 2007 and January 2008. The rice was sold at a fixed price of Taka 25 (US\$ 0.36) per kilo, subject to a 3 kilo per person limit. In January 2008, the government announced it would widen its rice distribution programme to cover 16 million people. It had already extended it to 13 million people, after recording heavy losses to floods in late 2007. Despite a positive 2007 production outcome, domestic rice prices in **Cambodia** were reported to have risen by 40 percent from US\$ 230 per tonne in 2007 to US\$ 360 per tonne in recent months, underpinned by large border sales to Thailand and Viet Nam. The government appears to have spent US\$ 10 million already this year to subsidize rice consumer prices, but these have continued to climb, reaching nearly US\$ 1 per kilo in March 2008. In an attempt to avert further price surges, the government announced in March it would suspend exports for two months, in April and May.

Notwithstanding measures, including export restrictions, taken by **India** to keep them under control, retail prices in Delhi were reported to have jumped by 20 percent between August 2007 and February 2008 from Rupee 15 to Rupee 18 per kilo and to have kept rising since then. Some relief is offered through the Targeted Public Distribution System (TPDS), which gives access to rice supplies at subsidized retail prices, especially as these have been kept unchanged since July 2002. Rice retail prices remain at Rupee 7.95 per kilo for the Above-Poverty-Line (APL) households, Rupee 5.65 per kilo for Below-Poverty-Line (BPL) households, and Rupee 3.00 per kilo for the poorest of the poor (AAY). However, in order to diminish the pressure on the TPDS, the system has been rationalized since April 2007 for all States on the basis of their actual purchases from the system between 2003-04 and 2005-06. As a result, while BPL and AAY families will still be eligible to purchase 35 kg of grain per family, per month, allocations to APL households will depend on availability in the Central Pool.

Confronted with surging consumer prices, in February 2008 **Indonesia** raised the number of the population eligible to the subsidized distribution system, from 15.8 million to 19.1 million households and increased the rice rations from 10 kilo to 15 kilo, per month, per household. At

the same time, however, the subsidized price to be applied was raised from Rupiah 1 000 per kilo in 2007 to Rupiah 1 600 (US\$ 0.16) per kilo this year. The Government is also committed to keeping market retail prices around Rupiah 4 750 – 6 000 (US\$ 0.51 – 0.65) per kilo, depending on the quality. In **Malaysia**, calls for retail price increases by Bernas, the agency responsible for rice imports, local procurement and distribution, have not found the favour of the Government, so official retail prices of standard rice have not been revised.

**Iraq** relies mainly on imports carried out by the Iraqi Grain Board to meet rice domestic needs. Much of food supplies are distributed under a Public Distribution Programme, established in 1990 following the imposition of UN sanctions, with 60 percent of the population reported to rely on those food rations. The system supplies 10 major food items through trade ministry outlets. In 2008, the Ministry of Trade estimated it needed a budget of US\$ 7 billion to fund the programme, but only obtained US\$ 3 billion. As a result, it was announced that, in 2008, the rations will retain only five products, namely, sugar, flour, rice (3 kilo per person, per ), milk and cooking oil, while the remaining items, which included pulses and soap, will be removed. According to a decision by the Government in January 2008, the distribution system could even be scrapped as of June 2008.

Despite the bumper output in **the Philippines**, numerous articles in recent months reported cases of protests by the population in reaction to rising retail rice prices. Compared to other countries, however, the increases were rather modest, in the order of 16 percent, as the March 2008 retail price quotation reached 25.26 pesos per kilo, compared with 21.77 pesos per kilo in March ? 2007. Amidst relatively good supplies from the bumper 2007 season, combined with large imports of rice, the price jump has been attributed to withholding of stocks by farmers, millers and traders. As a result, the government has threatened to take action against all agents contributing to the formation of rice market shortages.

In April, **Sri Lanka** announced that both wholesale and retail rice prices would be subject to price ceilings. For instance, the price of Samba rice was set at RS 70 per kilo at the retail level and at Rupiah 63 at the wholesale level. The Consumer Protection Authority, by giving to rice the status of essential commodity in January 2008, also ruled out the possibility for traders to change the price levels without the Authority's own authorization.

Meanwhile, to bring relief to local consumers in the wake of strong rising rice prices, **Thailand** agreed on 2 April 2008 to earmark 2.1 million tonnes for subsidized sale.

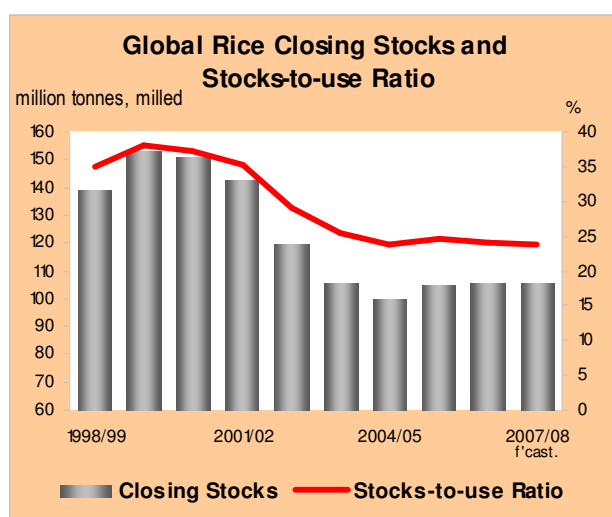
As of March, strong increases in the prices of imported rice were reported in much of **Africa**, which did not always spread to locally produced rice. This enabled consumers in various countries to turn to other foods, especially locally produced cereals, roots and tubers and vegetables. However, the situation may well worsen in the coming months, coinciding with the lean period, when the availability of locally produced foods dries up. Governments in many countries have taken action to smooth the transmission of higher import prices on local markets. For instance, **Benin** recently extended for three month, starting on 1 April 2008, the exemption of import tariffs on rice, which had been initiated in January 2008. Governments also attempted to fix rice selling prices, to keep them at affordable levels, in **Burkina Faso, Cote d'Ivoire, Mali** and **Niger**. In **Cote d'Ivoire**, the value added tax on retail sales was halved to 9 percent, while **Burkina Faso** launched some subsidized rice sales in deficit areas. In exchange for the tax exemption, granted on 14 March 2008, after rice consumer prices had

surged by 19 percent, importers in **Mali** were asked to charge a maximum wholesale and retail prices of Fcfa 300 000 per tonne and Fcfa 310 000 respectively. Some States in **Nigeria** released grain supplies from their strategic reserves. In **Senegal**, rice importers agreed to lower the price of fully broken rice by Fcfa 15-20 per kilo, in exchange for the suspension of import tariffs. In sharp contrast with the rest of the region, in **Madagascar**, domestic rice prices in April 2008 were reported to have fallen compared with those prevailing in April 2007.

In **Latin America and the Caribbean**, the production shortfall in **Bolivia** was mostly behind a 74 percent and 100 percent surge in wholesale and retail prices respectively between January and December 2007, which led the Government to announce that those agents withholding rice from the market would incur jail sanctions. **Haiti** has faced severe civil unrest in recent months, as food prices surged. In response, the Presidency entered an agreement with rice importers to lower retail prices of imported rice prices by 15 percent, from US\$ 51 to US\$ 43 per 50 kg bag, for a period of 1 month. Out of the US\$ 7 difference, US\$ 3 was to be subsidized by the authorities with the remaining US\$ 5 covered by importers. In addition to imposing restraints on exports, **Guyana** recently announced it would establish, in collaboration with millers, special retail points selling rice at affordable prices. The initiative was first launched in Georgetown. Along with the prohibition to export, the Government of **Brazil** announced it would draw from publicly owned rice stocks to dampen the tendency for domestic prices to rise. A first release of 55 000 tonnes of paddy is to take place on 5 May 2008, starting with an offer price of Reales 28 per 50 kilo bag (US\$ 337 per tonne).

#### IV. GLOBAL RICE STOCKS IN 2008

**World rice stocks carried over in 2008 from the 2007 paddy seasons now forecast to rise slightly from the previous year**



Following the upgrading of production estimates in 2007, global rice inventories at the closure of marketing season in 2008 are now forecast to reach 105.2 million tonnes, up 2.8 million tonnes from the previous forecast of 102.4 million tonnes. Revisions also affected the estimate of global carry over stocks in 2007, which was raised by 1.9 million tonnes to 105.5 million tonnes. The most important 2008 stock revisions since December 2007 concerned **Bangladesh** (+1.6 million tonnes), **Cambodia** (+660 000 tonnes), **China** (-1.6 million tonnes), **India** (+2.2 million tonnes), **Indonesia** (+200 000 tonnes),

**Myanmar** (-300 000 tonnes), **the Philippines** (+300 000 tonnes), **Thailand** (-100 000 tonnes), **Viet Nam** (+150 000 tonnes), **Uruguay** (-107 000 tonnes) and **the United States** (-96 000 tonnes)

At that the current forecast of 105.2 million tonnes, global rice inventories in 2008 would be marginally smaller than their opening levels. The expected slight contraction would be on account of the developed countries, now foreseen to hold 3.0 million tonnes, down from 3.6 million tonnes in 2007. By contrast, rice inventories in the developing countries are anticipated at 102.2 million tonnes in 2008, up from 101.8 million tonnes in 2007. At the regional level, the building up over the season would only concern Asia, as all the other regions are forecast to draw reserves down.

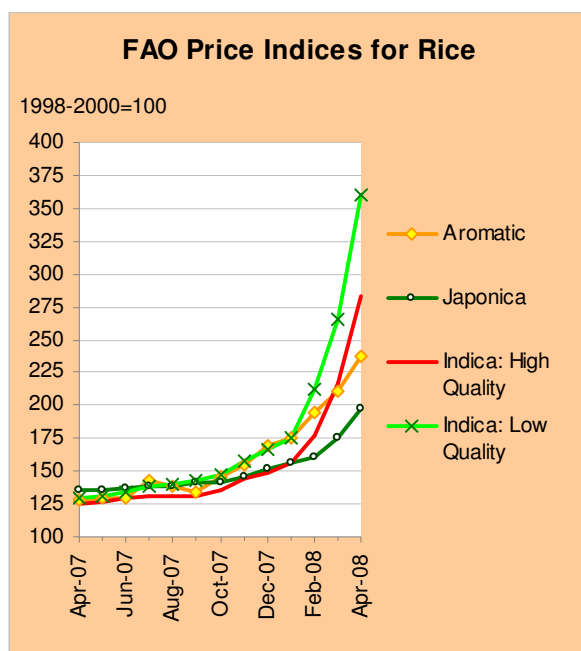
From a trade status perspective, **exporting countries**, as a group, are seen to end their 2007 paddy seasons with larger inventories in 2008, mainly a reflection of the restraints on exports that many of them are currently applying. **India**, in particular, is foreseen to raise the size of rice holding by 21 percent to 16.0 million tonnes, much of which associated to a rebuilding of publicly-owned reserves. **Cambodia, Egypt and Laos** are also anticipated to reconstitute stocks somewhat in 2008. By contrast rice inventories are likely to be drawn down heavily in **Pakistan, Thailand** and the **United States**, the three most important exporting countries that have abstained to restrain export. In **Pakistan**, rice carryovers are forecast to be drawn down by 40 percent to 150 000 tonnes. In **Thailand**, they are expected to drop by 15 percent to 3.7 million tonnes by the end of the season, on 31 October 2008, their lowest levels since 2004. The decline will also concern public reserves, which were reported to hold 2 million tonnes of rice by April 2008, down from almost 5 million tonnes one year earlier. The official forecast of the 2008 rice carryover in the **United States** points to an ever sharper decline of 45 percent, to 691 000 tonnes, the lowest inventory in the past ten years. Among other exporting countries, **China, Myanmar and Viet Nam** are also estimated to dent somewhat from their reserves, ending the season with somewhat smaller inventories.

Most of the traditional **net importing countries** are now foreseen to draw from their reserves in 2008, as many cut imports this year. Among the few exceptions, **the Philippines** would be able to increase their size, reflecting the expected rises of production in 2007 and larger international purchases over the current year. **Indonesia** is also anticipated to build up reserves somewhat, owing to the bumper 2008 crop. By contrast most of the other major importers, including **Brazil, the Islamic Republic of Iran Iraq, Nigeria and Senegal** are forecast to cut their reserves in 2008.

At 105.2 million tonnes, global rice stocks in 2008 would be sufficient to cover 23.7 percent of utilization, slightly down from a 24.2 percent **stock-to-utilization ratio** in 2007.

## V. INTERNATIONAL PRICES

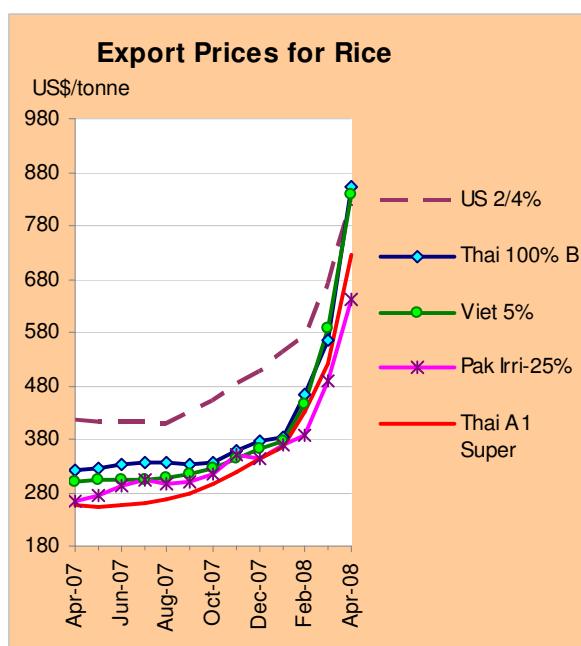
### Exceptional surge in world prices witnessed over the first quarter of 2008



International rice prices have soared since January, accentuating the tendency observed since November 2007, when the increases in prices started becoming particularly pronounced. Until then, rice prices had followed an upward trend for most of 2007, but the gains were far from being as large as those affecting other basic food commodity markets, in particular wheat or maize. The sudden acceleration of prices in November 2007 coincided with the tightening of exports by some major exporting countries and the launching of the first tender by the Philippines' National Food Agency. The magnitude of the price response to the sudden surges in import demand and the limitations of exports is a sign of the thinness of the international rice market, where only 6 or 7 percent of global production is traded.

Where markets are thin, small shifts in production and consumption translate into much larger percentage changes in the volume of trade, amplifying their effect on prices.

The exceptional increases witnessed in the first quarter of 2008 translated into a 76 percent leap in the FAO All Rice Price Index (1998-2000=100), from 157 in December 2007 to 276 in April 2008. The strength concerned all quotations but in particular the lower quality Indica rice, the index of which more than doubled from 166 to 360. The prices of the higher quality Indica rice were also sharply up, with the corresponding price index jumping by 90 percent. The gains over the period were less marked in the case of Aromatic and Japonica rice varieties, at 40 percent and 30 percent respectively.



Despite a tapering of supplies in **Thailand**, the government so far has resisted restraining sales abroad, as it did not want to tarnish the reputation of the country as a dependable and reliable rice exporter. However, as several of the other major sources of rice were closed, importers increasingly turned to Thailand, which have boosted quotations since November. For instance, the prices of the Thai white rice 100% B, often taken as representative of the world market, has more than doubled since December last year, passing from US\$ 376 to US\$ 853 per tonne in April 2008. The increase was also particularly marked for the Thai A1 Super, fully broken rice, which was quoted US\$ 727 per tonne in April 2008, more than twice the December 2007 level of US\$ 342 per tonne.

The strengthening of prices has affected also the other major exporters. In Viet Nam, the Indica 25 percent broken rice was quoted US\$ 755 per tonne in April 2008, up 112 percent from January, overshooting the rice quotation from Thailand for similar grades. Export rice prices also surged in Pakistan, where the 25 percent milled rice price was traded at US\$ 641 per tonne in April 2008, still competitive compared with other sources. Reflecting the ban on exports of regular rice, quotations in India have not been available since February for rice other than Basmati, the price of which has gained 20 percent since December. Export prices in the United States also registered strong gains in recent months, but not as large as in Asian exporting countries. For instance, the US N. 2.4% long grain rice was quoted at US\$ 820 per tonne in April 2008, up 62 percent from December 2007, but less than the quotation of Thai white rice 100% B in April, which is exceptional. Although rice futures prices at the Chicago Board of Trade (CBOT) reached record highs in recent months, reflecting a rush of non-commercial investors into the commodity, largely for portfolio diversification, their influence on actual export prices is unclear.

At this time of the year, new supplies from the 2007 secondary crops in the Northern Hemisphere and from the 2008 main crops in the Southern Hemisphere should start reaching the market, including the Rabi crop in India, the Winter/Spring crop in Viet Nam, the Boro crop in Bangladesh, the 2008 crops in Argentina, Brazil and Uruguay, etc.. As expectations regarding those crops are favourable, the market conditions may ease in the next few months in both exporting and importing countries. They may also encourage market players holding rice to release supplies before the new crops reach the market.

On the import side, the recent withdrawal of a May purchasing auction by the Philippines already relieved pressure from world prices, but this might be only temporary, especially if the country re-enters the market later during the year. The need for it to do so will depend greatly on the quantity of rice the country produces over the first 2008 semester. Meanwhile, as world prices become more affordable, other large importers are likely to return on the international arena to buy, including the Islamic Republic of Iran, Saudi Arabia, Nigeria and Senegal.

As for exporters, the largest supply shortfall stems from India's ban on international sales of non-basmati rice, which has substantially cut availability of rice on the international market. India's relaxation of the ban, in the light of a bumper Rabi crop, would certainly help world prices return to more normal levels, especially if the other major exporters follow suit. If this is not the case, and given the sharp cut in rice reserves held by the other major exporters, including Thailand and the United States, prices may remain high and subject to much variability.

Thus, keeping in mind the large number of uncertainties surrounding the current outlook, either in relation to the size of the coming crops, the possible incidence of cyclones and other natural phenomena, or to the policies implemented by major rice players, international rice prices are expected to remain high, at least until November 2008, even though the next few months might see a reversal in tendency. Depending on the outcome of the 2008 season, the market strength might persist in 2009, meaning prices would remain well above last year level, especially as producers will have to pay much more for their fertilizers, pesticides and fuel.



<b>FAO Rice Price Indices</b>					
	All	Indica		Japonica	Aromatic
		High	Low		
1998-2000 = 100					
<b>2003</b>	<b>81</b>	<b>79</b>	<b>81</b>	<b>81</b>	<b>91</b>
<b>2004</b>	<b>102</b>	<b>101</b>	<b>110</b>	<b>96</b>	<b>96</b>
<b>2005</b>	<b>107</b>	<b>104</b>	<b>115</b>	<b>107</b>	<b>94</b>
<b>2006</b>	<b>117</b>	<b>114</b>	<b>114</b>	<b>127</b>	<b>102</b>
<b>2007</b>	<b>137</b>	<b>131</b>	<b>139</b>	<b>140</b>	<b>136</b>
<b>2007</b> April	130	125	130	136	128
May	131	126	131	135	129
June	133	130	134	137	130
July	136	131	138	138	143
August	136	131	140	138	138
September	138	131	143	141	134
October	142	136	148	142	146
November	149	144	157	146	154
December	157	149	166	153	169
<b>2008</b> January	164	156	175	156	175
February	184	177	212	161	195
March	218	217	265	175	211
April	276	283	360	198	237
<b>2007</b> Jan.-Apr.	129	125	129	136	122
<b>2008</b> Jan.-Apr.	211	208	253	173	204

*Source : FAO*

*N.B. - The FAO Rice Price Index is based on 16 rice export quotations. "Quality" is defined by the percentage of broken kernels, with high (low) quality referring to rice with less (equal to or more) than 20 percent broken. The Sub-Index for Aromatic Rice follows movements in prices of Basmati and Fragrant rice.*

EXPORT PRICES FOR RICE													
	Thai White 100% B Second grade	Thai Parboiled 100%	U.S. Long Grain 2,4%	Viet 5%	Thai 25%	India 25%	Viet 25%	Pak 25%	Thai A1 Super 1/	U.S. California Medium Grain 2/	Egypt Short Grain, Grade 2,5% 178 Camolino	Pak Basmati Ordinary	Thai Fragrant 100%
	<i>(US \$/tonne, f.o.b.)</i>												
2003	201	196	284	183	176	163	167	175	151	370	291	357	449
2004	244	247	372	224	225	n.a.	212	230	207	493	317	468	443
2005	291	285	319	255	259	236	239	235	219	418	327	473	404
2006	311	300	394	266	269	247	249	230	217	512	353	516	470
2007	335	332	436	313	305	292	294	290	275	557	404	677	550
<b>2007</b>													
April	322	314	416	301	289	270	286	263	256	551	392	625	542
May	325	319	412	305	292	n.a.	285	273	252	551	388	625	530
June	333	327	412	304	299	n.a.	285	293	255	536	406	625	533
July	337	332	412	305	303	285	287	305	261	529	396	788	546
August	336	332	409	306	300	298	289	295	269	535	401	710	548
September	332	328	430	313	303	302	296	300	279	576	401	650	546
October	338	346	452	324	317	305	300	314	297	584	393	713	568
November	358	360	481	342	336	322	305	350	318	584	444	740	587
December	376	381	506	360	355	335	342	342	342	584	469	850	611
<b>2008</b>													
January	385	389	544	377	368	345	357	369	365	590	479	888	643
February	463	490	572	444	455	n.a.	430	388	431	595	490	1040	748
March	567	607	671	588	540	n.a.	555	488	522	595	587	1100	837
April	853	874	820	838	787	n.a.	755	641	727	678	n.a.	1100	1104
2007 Jan.-Apr.	322	314	429	299	289	268	283	252	256	551	388	607	533
2008 Jan.-Apr.	567	590	652	562	538	n.a.	524	472	511	615	519	1032	833

Sources: Jackson Son & Co. (London) Ltd. and other public sources.

1/ White broken rice. 2/ Up to August 2005 U.S. medium grain No.2, 4%; since September 2005 onwards No. 1, maximum 4-percent broken, sacked, California mill.

Note: Please note that data may have been subject to revision due to temporary unavailability and/or late publishing of weekly price quotations.

<b>WORLD PADDY PRODUCTION</b>			
	<b>2006</b>	<b>2007</b>	<b>2008<sup>1/</sup></b>
		(estimated)	(forecast)
	<i>million tonnes</i>		
<b>WORLD</b>	<b>642.6</b>	<b>651.6</b>	<b>666.3</b>
Developing countries	617.9	627.3	642.6
Developed countries	24.7	24.3	23.7
<b>ASIA</b>	<b>581.9</b>	<b>592.1</b>	<b>604.7</b>
Bangladesh	41.0	41.4	44.0
Cambodia	6.3	6.4	6.3
China	184.1	185.5	188.6
of which Taiwan Prov.	1.6	1.5	1.6
India	140.0	143.5	144.0
Indonesia	54.5	57.1	58.3
Iran, Islamic Rep. of	2.6	2.8	2.9
Japan	10.7	10.9	10.7
Korea Rep. of	6.3	5.9	6.2
Myanmar	30.6	30.0	31.6
Pakistan	8.2	8.2	8.3
Philippines	15.5	16.7	17.5
Sri Lanka	3.3	3.1	3.2
Thailand	29.6	31.0	32.2
Viet Nam	35.8	35.9	36.6
<b>AFRICA</b>	<b>22.5</b>	<b>22.4</b>	<b>23.2</b>
<b>North Africa</b>	<b>6.8</b>	<b>6.6</b>	<b>6.6</b>
Egypt	6.8	6.5	6.6
<b>Sub-Saharan Africa</b>	<b>15.7</b>	<b>15.8</b>	<b>16.5</b>
Western Africa	9.8	9.7	10.3
Côte d'Ivoire	1.1	1.0	1.1
Guinea	1.3	1.4	1.5
Mali	1.1	1.0	1.2
Nigeria	4.0	3.9	4.0
Central Africa	0.4	0.4	0.4
Eastern Africa	1.6	1.8	1.9
Tanzania	1.2	1.4	1.5
Southern Africa	3.8	3.9	3.9
Madagascar	3.5	3.6	3.6
Mozambique	0.2	0.2	0.2
<b>CENTRAL AMERICA</b>	<b>2.5</b>	<b>2.4</b>	<b>2.5</b>
Cuba	0.4	0.4	0.5
Dominican Rep.	0.7	0.7	0.7
Mexico	0.3	0.3	0.3
<b>SOUTH AMERICA</b>	<b>22.4</b>	<b>21.9</b>	<b>23.6</b>
Argentina	1.2	1.1	1.3
Brazil	11.7	11.3	12.0
Colombia	2.3	2.4	2.6
Peru	2.4	2.5	2.5
Uruguay	1.3	1.1	1.4
<b>NORTH AMERICA</b>	<b>8.8</b>	<b>9.0</b>	<b>8.7</b>
United States	8.8	9.0	8.7
<b>EUROPE</b>	<b>3.5</b>	<b>3.6</b>	<b>3.6</b>
EU 2/	2.6	2.7	2.7
<b>OCEANIA</b>	<b>1.1</b>	<b>0.2</b>	<b>0.0</b>
Australia	1.0	0.2	0.0

**FOOTNOTES:**

Totals computed from unrounded data.

1/ Tentative.

2/ EU-25 until 2006, EU-27 from 2007.

<b>WORLD IMPORTS OF RICE</b>			
	<b>2006</b>	<b>2007</b>	<b>2008<sup>1/</sup></b>
		(estimated)	(forecast)
	<i>million tonnes, milled eq.</i>		
<b>WORLD</b>	<b>29.1</b>	<b>31.0</b>	<b>28.8</b>
Developing countries	24.5	26.1	24.1
Developed countries	4.6	4.8	4.8
<b>ASIA</b>	<b>13.1</b>	<b>14.5</b>	<b>12.9</b>
Bangladesh	0.5	1.4	1.0
China	1.2	1.0	1.0
of which Taiwan Prov.	0.1	0.1	0.1
Indonesia	0.7	1.7	0.5
Iran, Islamic Rep. of	1.2	1.1	0.9
Iraq	1.3	0.7	0.8
Japan	0.6	0.7	0.7
Malaysia	0.9	0.8	0.8
Philippines	1.7	1.8	2.1
Saudi Arabia	1.1	1.1	0.9
Sri Lanka	0.0	0.1	0.1
<b>AFRICA</b>	<b>9.7</b>	<b>9.8</b>	<b>9.2</b>
Côte d'Ivoire	0.9	0.8	0.8
Nigeria	1.8	1.7	1.8
Senegal	0.8	1.0	0.8
South Africa	0.7	1.0	0.8
<b>CENTRAL AMERICA</b>	<b>2.2</b>	<b>2.4</b>	<b>2.3</b>
Cuba	0.6	0.7	0.7
Mexico	0.6	0.6	0.5
<b>SOUTH AMERICA</b>	<b>1.0</b>	<b>1.1</b>	<b>1.2</b>
Brazil	0.6	0.7	0.8
Peru	0.0	0.1	0.1
<b>NORTH AMERICA</b>	<b>0.9</b>	<b>1.0</b>	<b>1.0</b>
Canada	0.3	0.3	0.3
United States	0.6	0.7	0.7
<b>EUROPE</b>	<b>1.8</b>	<b>1.7</b>	<b>1.8</b>
EU 2/	1.0	1.1	1.3
Russian Fed.	0.3	0.2	0.2
<b>OCEANIA</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>

<b>WORLD EXPORTS OF RICE</b>			
	<b>2006</b>	<b>2007</b>	<b>2008<sup>1/</sup></b>
		(estimated)	(forecast)
	<i>million tonnes, milled eq.</i>		
<b>WORLD</b>	<b>29.1</b>	<b>31.0</b>	<b>28.8</b>
Developing countries	25.0	27.6	24.7
Developed countries	4.1	3.5	4.1
<b>ASIA</b>	<b>22.2</b>	<b>24.6</b>	<b>22.2</b>
China	1.3	1.4	1.5
of which Taiwan Prov.	0.0	0.0	0.0
India	4.4	5.0	2.0
Myanmar	0.1	0.0	0.6
Pakistan	3.4	2.7	2.9
Thailand	7.4	9.6	9.8
Viet Nam	4.7	4.5	4.0
<b>AFRICA</b>	<b>1.0</b>	<b>1.2</b>	<b>0.9</b>
Egypt	1.0	1.2	0.9
<b>SOUTH AMERICA</b>	<b>2.0</b>	<b>1.9</b>	<b>2.0</b>
Argentina	0.5	0.4	0.5
Guyana	0.2	0.3	0.2
Uruguay	0.8	0.8	0.9
<b>NORTH AMERICA</b>	<b>3.3</b>	<b>3.0</b>	<b>3.5</b>
United States	3.3	3.0	3.5
<b>EUROPE</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>
EU 2/	0.1	0.2	0.2
<b>OCEANIA</b>	<b>0.5</b>	<b>0.1</b>	<b>0.1</b>
Australia	0.5	0.1	0.1

**RICE : Supply and Utilization in Main Exporting Countries.  
(National Crop Years)**

	CHINA 2/ 3/ (Oct./Sep.)			INDIA 2/ (Oct./Sep.)		
	2005/2006	2006/2007	2007/2008 <sup>5/</sup>	2005/2006	2006/2007	2007/2008 <sup>5/</sup>
		prelim.	fcast		prelim.	fcast
	(..... thousand tonnes .....)			(..... thousand tonnes .....)		
Opening Stocks	56400 F	56085 F	56760 F	9000 F	11600 F	13200 F
Production 1/	124775 G	126198 G	127135 F	91790 G	93350 G	95680 G
Imports	828 G	612 F	610 F	82 F	50 F	50 F
Total Supply	182003	182894	184505	100872	105000	108930
Domestic Use	124656	124778	126410	84838	86800	90930
Exports	1262 F	1356 F	1530 F	4434 G	5000 F	2000 F
Closing Stocks	56085 F	56760 F	56565 F	11600 F	13200 F	16000 F
	PAKISTAN 2/ (Nov./Oct.)			THAILAND 2/ (Nov./Oct.)		
	2005/2006	2006/2007	2007/2008 <sup>5/</sup>	2005/2006	2006/2007	2007/2008 <sup>5/</sup>
		prelim.	fcast		prelim.	fcast
	(..... thousand tonnes .....)			(..... thousand tonnes .....)		
Opening Stocks	150 F	150 F	248 F	4200 F	5500 F	4350 F
Production 1/	5547 G	5438 G	5489 G	20053 G	19623 G	20522 G
Imports	1 F	1 F	1 F	50 G	200 F	150 F
Total Supply	5698	5589	5738	24303	25323	25022
Domestic Use	2104	2691	2688	11383	11416	11522
Exports	3444 G	2650 G	2900 F	7420 G	9557 G	9800 F
Closing Stocks	150 F	248 F	150 F	5500 F	4350 F	3700 F
	UNITED STATES 4/ (Aug./Jul.)			VIET NAM 2/ (Nov./Oct.)		
	2005/2006	2006/2007	2007/2008 <sup>5/</sup>	2005/2006	2006/2007	2007/2008 <sup>5/</sup>
		prelim.	fcast		prelim.	fcast
	(..... thousand tonnes .....)			(..... thousand tonnes .....)		
Opening Stocks	1211 G	1370 G	1266 G	4700 F	4700 F	4750 F
Production 1/	7113 G	6239 G	6314 G	23901 G	23896 G	23924 G
Imports	545 G	663 G	688 G	260 F	300 F	200 F
Total Supply	8869	8272	8268	28861	28896	28874
Domestic Use	3838	4062	3995	19412	19616	20374
Exports	3661 G	2944 G	3582 G	4749 G	4530 G	4000 F
Closing Stocks	1370 G	1266 G	691 G	4700 F	4750 F	4500 F

**Symbols:**

G Official figure

\* Unofficial figure

F FAO estimate/forecast

**Footnotes:**

Totals computed from unrounded data.

1/ Milled basis.

2/ Rice trade data refer to the calendar year of the second year shown.

3/ Including Taiwan province.

4/ Rice trade data refer to the August/July marketing season.

5/ Tentative.